



CITY OF MORGAN HILL
COMMUNITY DEVELOPMENT DEPARTMENT, PLANNING DIVISION

17575 Peak Avenue Morgan Hill CA 95037 (408) 778-6480 Fax (408) 779-7236
Website Address: www.morgan-hill.ca.gov / Email: General@ch.morgan-hill.ca.gov

PLANNING COMMISSION

JUNE 9, 2009

**CITY COUNCIL CHAMBERS
CIVIC CENTER
17555 PEAK AVENUE
MORGAN HILL, CA**

COMMISSIONERS

CHAIR, SUSAN KOEPP-BAKER
VICE-CHAIR, COMMISSIONER WAYNE TANDA
COMMISSIONER ROBERT L. ESCOBAR
COMMISSIONER NANCY K. HART
COMMISSIONER JOHN LIEGL
COMMISSIONER JOHN A. MONIZ
COMMISSIONER JOSEPH H. MUELLER

6:00 P.M.

*A Special Meeting of the Planning Commission is called at 6:00 p.m. for the Purpose of Conducting
The Carbon Diet Club.*

REGULAR MEETING - 7:00 P.M.

***** A G E N D A *****

NOTICE TO THE PUBLIC

The following policies shall govern the conduct of the Planning Commission meetings:

- *All Planning Commission proceedings are tape-recorded.*
- *Individuals wishing to address the Planning Commission on a particular item should fill out a speaker card and present it to the Secretary. This will assist the Chairperson in hearing your comments at the appropriate time.*
- *When the Chairperson invites you to address the Commission, please state your name and address at the beginning of your remarks.*
- *Speakers will be recognized to offer presentations in the following order:*
 - *Those supporting the application*

- *Those opposing the application*
- *Those with general concerns or comments*
- *Presentations are limited to 5 minutes*

**DECLARATION OF POSTING OF AGENDA IN ACCORDANCE WITH
GOVERNMENT CODE SECTION 54954.2 - SECRETARY REPORT**

OPEN PUBLIC COMMENT PERIOD (5 MINUTES)

Now is the time for presentation from the public on items **NOT** appearing on the agenda that are within the Planning Commission's jurisdiction. Should your comments require Commission action, your request will be placed on the next appropriate agenda. No Commission discussion or action may be taken until your item appears on a future agenda. You may contact the Planning Division for specific time and dates. This procedure is in compliance with the California Public Meeting Law (Brown Act) G.C. 54950.5. Please limit your comments to five (5) minutes.

ORDERS OF THE DAY

MINUTES: May 26, 2009

OTHER BUSINESS:

1) SELECTION OF CHAIR AND VICE-CHAIR:

Recommendation: Select members to serve as Chair and Vice-Chair for a one-year term in accordance with City Council adopted policy.

PUBLIC HEARINGS:

- 2) USE PERMIT AMENDMENT, UPA-87-09: DEWITT-WEST HILLS COMMUNITY CHURCH:** A request to amend an existing use permit for a Church on a 10.5-acre site to allow the continuing use of four existing portable buildings totaling 8,956 sq. ft. for use as classroom facilities and bathroom facilities for a five-year period. The site is located at 16695 Dewitt Ave, in the Open Space zoning district.

Recommendation: Approval subject to findings and conditions contained in the attached Resolution.

- 3) EXCEPTION TO LOSS OF BUILDING ALLOTMENT AWARDED TO APPLICATION MC-05-04: MONTEREY-CITY OF MORGAN HILL (SHERMAN HOUSE):** A request for a 21 month extension of time on a building allotment awarded under the Downtown Small Vertical Mixed Use RDSCS competition for the fiscal year 2008-09.

Recommendation: Adopt Resolution recommending City Council approval of a 21-month extension of time.

- 4) BUILDING ALLOTMENT FOR FISCAL YEAR 2011/12 OCTOBER 2009 RDSCS COMPETITION AND POSSIBLE SET-ASIDES**

Recommendation: Adopt Resolution with recommendation to forward request to the City Council for approval.

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5) EXTENSION TO THE BELOW MARKET RATE (BMR) REDUCTION PROGRAM:

Discussion on a proposal to extend the time period under which a homebuilder may receive a reduction or waiver of the commitment to provide new BMR housing units that are affordable to low and median income households.

Recommendation: The Planning Commission should discuss and provide input regarding whether to extend the BMR reduction program.

6) ZONING AMENDMENT, ZA-09-05: CITY OF MH-SMALL LOT SFD ZONING

DISTRICT: Review and discuss new general plan land use designation of Single Family High (6-11 Du/Ac) and zoning text amendments proposed to incorporate a High-Density Single-Family (R-1 4,000) zoning district into Chapter 18 Zoning, of the Morgan Hill Municipal Code.

Recommendation: Review and discuss

OTHER:

7) SUMMER MEETING SCHEDULE:

Recommendation: Discuss and approval of Summer Meeting Schedule.

WORKSHOP:

8) DOWNTOWN SPECIFIC PLAN: Review, provide questions and comments and receive public input on the Draft Downtown Specific Plan released in July 2008.

TENTATIVE AGENDA FOR THE JUNE 23, 2009 MEETING

- ZA-09-04: City of MH-Amendment to Seismic Combining District Chapter 18.43 of the City of M.H. Municipal Code
- ZA-09-01: McLaughlin-Malech
- DA-09-01: McLaughlin-Malech
- DS-09-01: McLaughlin-Malech
- UP-09-03: Vineyard-Epenesa Church
- Planning Commission Recommended Revision to Policies and Processes

ANNOUNCEMENTS

CITY COUNCIL REPORTS

ADJOURNMENT

SPEAKER CARD

IN ACCORDANCE WITH GOVERNMENT CODE 54953.3, IT IS NOT A REQUIREMENT TO FILL OUT A SPEAKER CARD IN ORDER TO SPEAK TO THE PLANNING COMMISSION. HOWEVER, it is very helpful to the Commission if you would fill out the Speaker Card that is available on the counter in the Council Chambers. Please fill out the card and return it to the Deputy City Clerk. As your name is called by the Chairperson, please

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walk to the podium and speak directly into the microphone. Clearly state your name and address and proceed to comment upon the agenda item. Please limit your remarks to three (3) minutes.

NOTICE

AMERICANS WITH DISABILITY ACT (ADA)

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City.

If assistance is needed regarding any item appearing on the Planning Commission agenda, please contact the Office of the City Clerk at City Hall, 17555 Peak Avenue or call 779-7259 or Hearing Impaired only - TDD 776-7381 to request accommodation.

NOTICE

NOTICE IS GIVEN pursuant to Government Code Section 65009, that any challenge of any of the above agenda items in court, may be limited to raising only those issues raised by you or on your behalf at the Public Hearing described in this notice, or in written correspondence delivered to the Planning Commission at, or prior to the Public Hearing on these matters.

NOTICE

The time within which judicial review must be sought of the action taken by the Planning Commission which acted upon any matter appearing on this agenda is governed by the provisions of Section 1094.6 of the California Code of Civil Procedure.

NOTICE

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act that are distributed to a majority of the Planning Commission less than 72 hours prior to an open session, will be made available for public inspection at the Office of the City Clerk at Morgan Hill City Hall located at 17555 Peak Avenue, Morgan Hill, CA, 95037 at the same time that the public records are distributed or made available to the Planning Commission. (Pursuant to Government Code 54957.5)



MEMORANDUM

To: PLANNING COMMISSION

Date: June 9, 2009

From: COMMUNITY DEVELOPMENT DEPARTMENT

Subject: SELECTION OF CHAIR AND VICE-CHAIR

REQUEST

Pursuant to City Council Policy, the Planning Commission must select a Chairperson and Vice-Chair to serve one-year terms beginning in June of each year. That policy provides that the member serving the longest on the Commission without having previously served as Chair will serve as the Chairperson. The member second in seniority will serve as Vice-Chair. The policy further states that if the member serving as Vice-Chair is on the Commission at the time the next Chair is selected, he or she will become Chair the following year. Based on the City Council policy, the current Vice Chair, Commissioner Tanda would become the next Chairperson. Commissioner Mueller, not having served as Chairperson during the previous four (4) years, would be eligible to serve again as the Vice-Chair. Should either member choose not to serve as the Chair or Vice-Chair, Commissioner Moniz would be the next in line to serve as the Vice-Chair. The Chair and Vice-Chair terms are for one year, until June 1, 2010.

RECOMMENDATION

Select members to serve as Chair and Vice Chair for a one-year term.

Attachment:

City Council Chair/Vice Chair Selection Policy

CITY OF MORGAN HILL

CITY COUNCIL POLICIES AND PROCEDURES

CP 96-02

SUBJECT: POLICY REGARDING TERM AND SELECTION OF CHAIR AND VICE CHAIR OF CITY BOARDS AND COMMISSIONS

DATE: APRIL 17, 1996

REVISION DATE: DECEMBER 15, 1999, REVIEWED JUNE 27, 2007

ORIGINATING DEPT: CITY CLERK

In order to provide an efficient method for the selection of Chair and Vice-Chair from the members of the Boards and Commissions, it shall be the policy of the City Council of Morgan Hill to have these officers serve a one (1) year term beginning the first regular meeting date of each fiscal year. A rotation system shall be followed in the selection of the Chair and Vice-Chair. The member who has served the longest on the Board or Commission without serving as Chair during the previous four (4) years shall be selected for the position of Chair. The member second in seniority who has not yet served during the previous four (4) years as Chair shall become Vice-Chair. If the member selected as Vice-Chair is on the Board or Commission at the time the next Chair is selected he/she shall become Chair.

Prior to selection as Chair, a Board or Commission member must serve a minimum of twelve (12) months on the Board or Commission. Each member's seniority shall begin upon the effective date of that member's appointment to the Board or Commission. If two (2) or more members have equal seniority, the Board or Commission shall make the selection. In the event a member otherwise eligible for selection declines the position, the member next in seniority shall be selected. A Board or Commission member will be eligible to serve another term as Chair and Vice Chair provided at least four (4) years have transpired since having previously served as Chair or Vice Chair respectively. Such period may be reduced by one year increments if no other Board or Commission member is eligible to serve due to a recent appointment or because a member otherwise eligible for selection declines the position. If two or more members are eligible to serve another term as Chair, the member who has served the longest on the Board or Commission since having previously served as Chair shall be first in seniority to serve another term as Chair and Vice Chair.

This policy shall remain in effect until modified by the City Council.

APPROVED: DENNIS KENNEDY, MAYOR



MEMORANDUM

To: PLANNING COMMISSION

Date: June 9, 2009

From: COMMUNITY DEVELOPMENT DEPARTMENT

Subject: UPA-87-09: Dewitt-West Hills Community Church

REQUEST A request to amend an existing use permit for a Church on a 10.5-acre site to allow the continuing use of four existing portable buildings totaling 8,956 sq. ft. for use as classroom facilities and bathroom facilities for a five-year period. The site is located at 16695 Dewitt Ave, in the Open Space zoning district. (APNs 773-09-011,012,027,028)

RECOMMENDATION

Environmental Assessment:	The project is categorically exempt from environmental review under section 15303(c), New Construction of the CEQA guidelines.
Application, UPA-87-09:	Approval subject to findings and conditions contained in the attached Resolution.
Processing Deadline:	September 4, 2009

BACKGROUND

West Hills Community Church is located on property within both the City of Morgan Hill and the County of Santa Clara. The administrative office is located in the County, next to DeWitt Avenue. The main worship center, the four existing portable buildings are located within the City Limit, in the Open Space (OS) zoning district.

In 1986, the then Hillside Church received Commission approval to place buildings B through D on site for a period of two years. In 1989, the Hillside Church received Commission approval for an extension of time for two years to keep the temporary buildings on-site. In 1992, Hillside

Church received another approval for an extension of time to keep the buildings on-site through December 1995.

In 1987, Hillside Church received Commission approval to operate a Christian 7th and 8th grade junior high school in buildings B and C as shown on the attached site plan. In 2004, West Hills Community Church received approval to use buildings B and C as a home school co-op, with classes taught by parents. The approval of buildings B, C, and D was extended through July 2009. Building D, which are restrooms, was placed on-site with the two portables and is shown on the original plans approved in 1987. Building A is the existing permanent Church building.

The applicant is requesting approval to extend use of buildings B, C, D & E through June 2014.

The applicant intends on removing buildings A through E in the next five years and replacing them with a new building. Applications for the new permanent buildings have been filed and are currently going through environment assessment. The expansion plan and new permanent buildings include new parking lots located in the unincorporated portions of the property. The properties will need to be annexed to the City before the project can be completed. The applications currently in process will come before the Planning Commission later this year. Churches and quasi-public uses are conditional uses in the open space zoning district.

Conditional Use Permit

Pursuant to the requirements in Section 18.54.050 of the Zoning Ordinance, the following findings are required:

- A. The site is suitable and adequate for the proposed use.**
- B. The proposed use and design would not have a substantial adverse effect on traffic circulation and on the planned capacity of the street system.**
- C. The proposed use at the location will not adversely affect the peace, health, safety, morals, or welfare of persons residing or working in the surrounding area, or impair the utility or value of property of other persons located in the vicinity of the site, or be detrimental to public health, safety or general welfare.**
- D. The design of the project is compatible with existing and proposed development within the district and its surroundings.**

Site Suitability

As described above and shown on the site plan, portions of the church are located in the City and sections in the County. Buildings A through E and 90 parking spaces are located in the City. The existing 1950 sq ft. office for the Church and 89 parking spaces are located in the County. The site has sufficient parking for all the uses. Morgan Hill municipal code 18.50.020 for churches requires 1 space for each 35 sq. ft. of floor area in the assembly room, plus 1 space for

each 250 sq. ft. of other space. Building A, the assembly area is 4354 sq. ft. requiring 124 spaces, while buildings B through E and the office, which are 10,906 sq. ft. requires 44 spaces. Overall, 168 spaces are required, while 179 spaces are provided.

The applicant is requesting an extension of time for buildings B, C, D & E. Staff recommends approval of the extension of time for buildings B, C, D & E. As mention above, the applicant intends on removing buildings A through E in the next five years and replacing them with a new building. The new buildings would require an amendment to the use permit, USA and City Limit boundary adjustments and site and architectural review. Applications have been filed and are currently being processed for the replacement of buildings A through E.

Circulation

The prior amendment in the use permit has not adversely impact traffic in the area. No change of use is proposed. Traffic and circulation impacts associated with the new permanent buildings and expanded on site parking are being evaluated in a new environmental initial study under a separate application.

General Welfare

The applicant will not be operating a business or have anything onsite that will have a substantial adverse effect on the general welfare of persons residing in the community.

Design

No change of use is proposed. The modular buildings generally are not visible from the public right-of-way.

RECOMMENDATION Staff believes the findings cited above are adequate to allow for approval of the request and finds that the proposed use permit is consistent with the criteria specified in Sections 18.54.050 of the Municipal Code. Staff therefore recommends approval of conditional use permit application UPA 87-09: DeWitt-West Hills Community Church, subject to the conditions contained in the attached Resolution.

Attachments:

1. Applicant Letter dated March 4, 2009
2. Plans
3. Vicinity Map



March 4, 2009

James Rowe
Planning Manager
17575 Peak Ave.
Morgan Hill, CA 95037

Dear Jim,

Thank you so much for your help in providing us a status on our project on March 3. Per our discussion, I am sending a formal request to have our use permit extended to give us time to move through our building project. This extension is necessary both due to the impact of the global economic crisis on our fund raising and also to provide time for the city to move through the annexation process which is critical to our ability to move forward with our master plan. I would like to have an additional 5 years on this permit if possible.

Attached is a copy of our current use permit documentation for your reference.

Thank you for your help in this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. Bradley Mortensen", followed by a long horizontal line.

J. Bradley Mortensen
Pastor of Administration

RESOLUTION NO.

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL APPROVING AN EXTENSION OF TIME TO ALLOW FOUR EXISTING TEMPORARY BUILDINGS TO REMAIN ONSITE FOR A PERIOD OF FIVE YEARS. (APNs 773-09-011,012,027&028)

WHEREAS, such request was considered by the Planning Commission at their regular meeting of June 9, 2009 at which time the Planning Commission approved application UPA 87-09: DeWitt-West Hills Community Church; and

WHEREAS, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process.

**NOW, THEREFORE, THE MORGAN HILL PLANNING COMMISSION DOES
RESOLVE AS FOLLOWS:**

SECTION 1. The approved project is consistent with the Zoning Ordinance and the General Plan.

SECTION 2. The project is categorically exempt from CEQA under Section 15303(c).

SECTION 3. The approved amendment to the conditional use has been found consistent with the criteria for use permit approval contained in Section 18.54.050 of the Zoning Code.

SECTION 4. The approved project shall be subject to the following conditions:

- A. Signed Resolutions. Within 30 days of conditional use permit approval, the applicant shall submit two (2) signed copies of this Resolution to the Planning Division.
- B. Time Limitations. The Conditional Use Permit approval granted under this Resolution for the four temporary buildings shall remain in effect for five years from the effective date of this Resolution.
- C. Use Approval. The use shall operate consistent with the applicant's Statement of Proposed Operations on file with the Planning Division
- D. Annual Review. In accordance with Section 18.54.090 of the Municipal Code, the Community Development Department shall conduct an annual review of the approved use for compliance with specified conditions. The Department may initiate corrective action as specified in the

aforementioned Code Section as necessary to ensure compliance with said conditions.

- E. Defense and indemnity. Applicant agrees to defend and indemnify and hold City, its officers, agents, employees, officials and representatives free and harmless from and against any and all claims, losses, damages, injuries, costs and liabilities arising from any suit for damages or for equitable or injunctive relief which is filed against City by reason of its approval of applicant's project. In addition, developer shall pay all pre-tender litigation costs incurred on behalf of the City including City's attorney's fees and all other litigation costs and expenses, including expert witnesses, required to defend against any lawsuit brought as a result of City's approval or approvals, but shall not be required to pay any litigation from the City. However, developer shall continue to pay reasonable internal City administrative costs, including but not limited to staff time and expense spent on the litigation, after tender is accepted.
- F. The approved project shall be conditioned to include an emergency evacuation plan being in place, along with a training program specifically for the home schooling leaders to understand how to handle emergencies and correctly react to same.
- G. The approved project shall be conditioned to include an emergency evacuation plan being in place, along with a training program specifically for the home schooling leaders to understand how to handle emergencies and correctly react to same.

PASSED AND ADOPTED THIS 9th DAY OF JUNE 2009, AT A REGULAR MEETING OF THE PLANNING COMMISSION BY THE FOLLOWING VOTE:

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSTAIN: COMMISSIONERS:

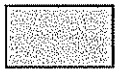
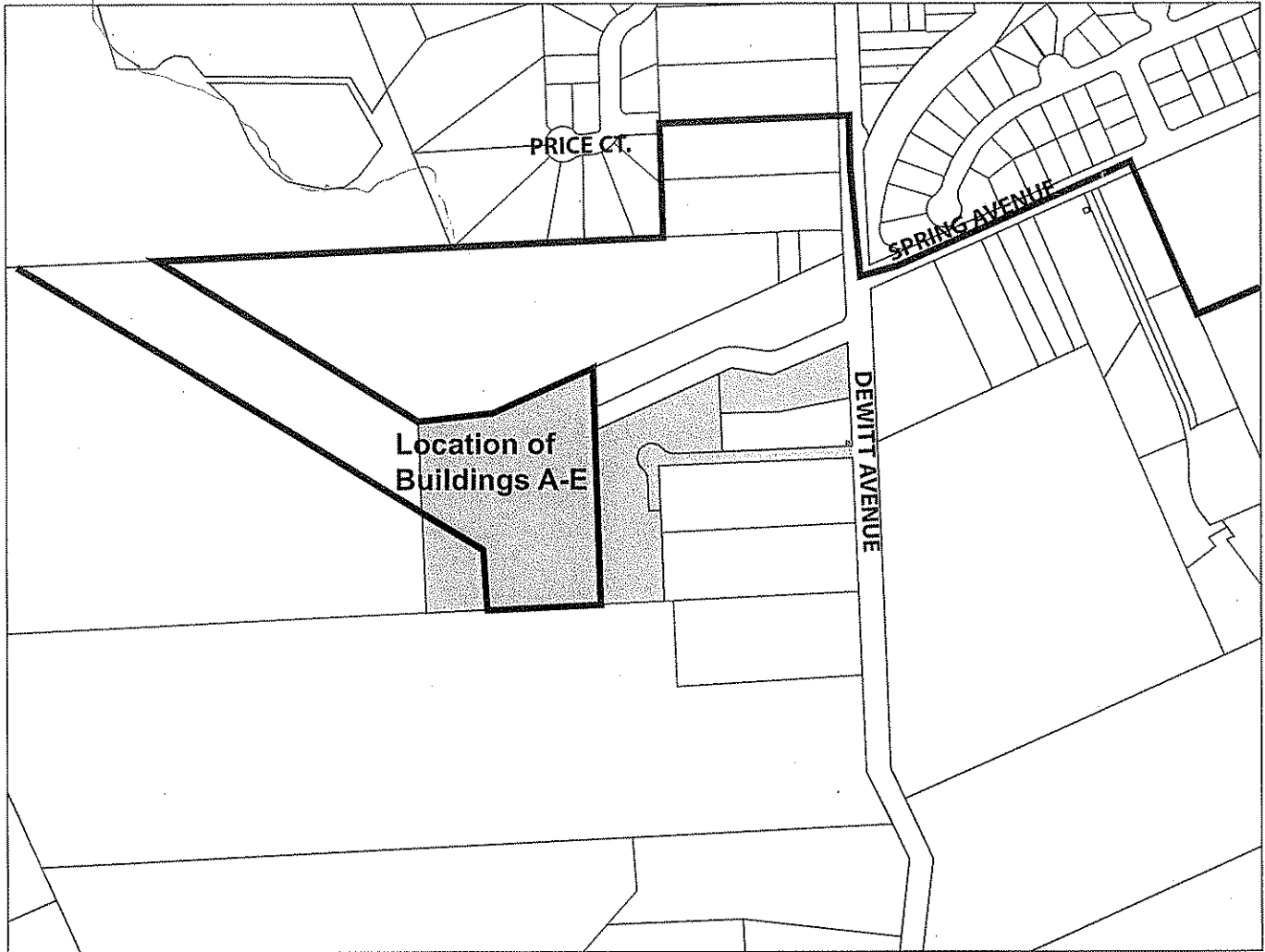
ABSENT: COMMISSIONERS:

ATTEST:

APPROVED:

ELAINE BUCK, Deputy City Clerk

, Chair



Land owned by Applicant



City Limit



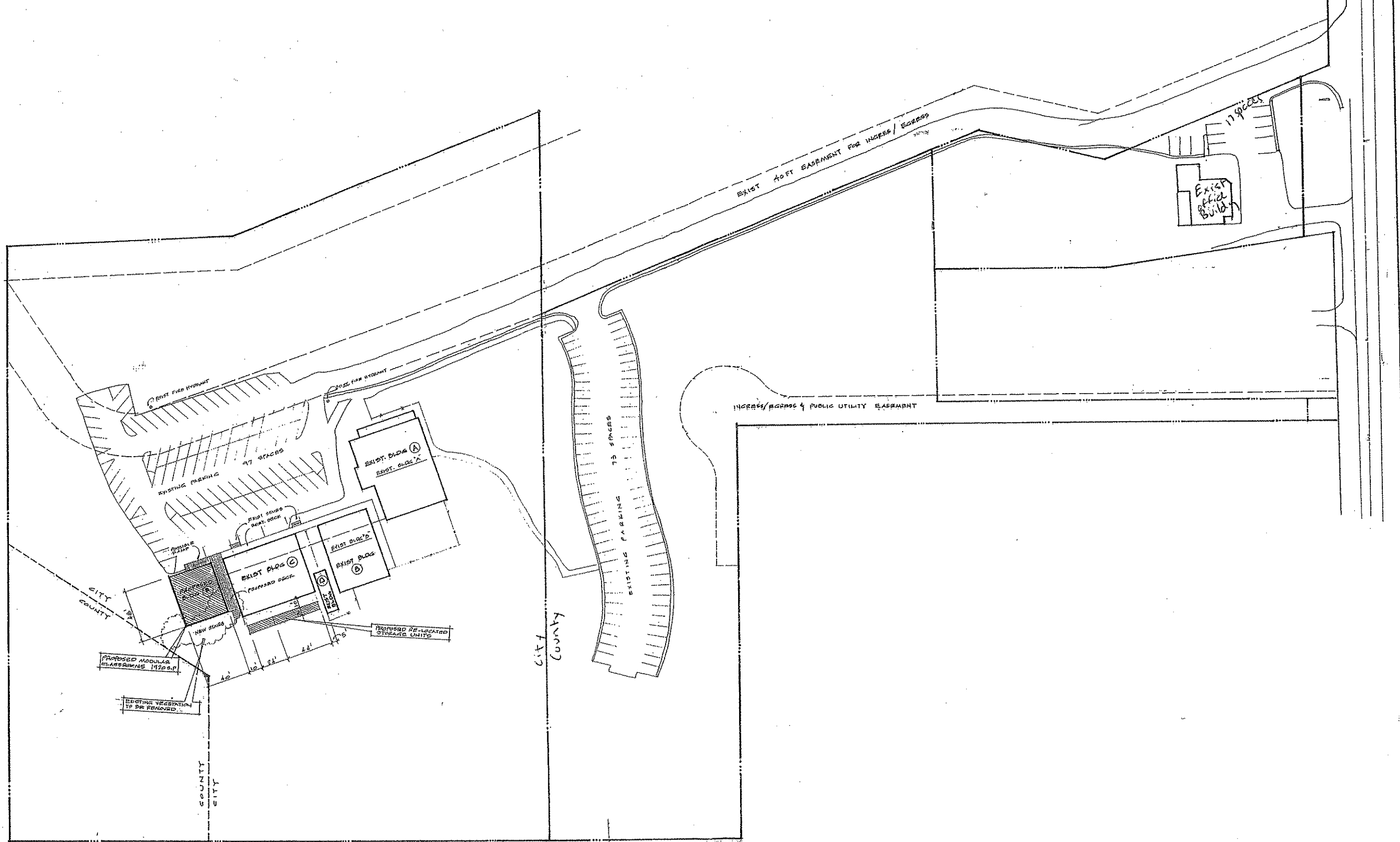
CITY OF MORGAN HILL

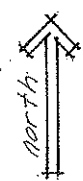
Prepared by Community Development Department

VICINITY MAP

UPA-87-09: DeWitt-West Hills Church






SITE PLAN 1" = 40'-0"

UPA-87-09: DE WITT WEST
 HILLS COMMUNITY CHURCH

PROPOSED MODULAR CLASSROOMS FOR:
 WEST HILLS COMMUNITY CHURCH
 16895 DeWitt Ave. Morgan Hill, CA 95037

PLANNING DEPT.
 JUL 09 2004
 CITY OF MORGAN HILL



MEMORANDUM

To: PLANNING COMMISSION

Date: June 9, 2009

From: COMMUNITY DEVELOPMENT DEPARTMENT

**Subject: EXCEPTION TO LOSS OF BUILDING ALLOTMENT AWARDED TO
APPLICATION MC-05-04: MONTEREY – CITY OF MORGAN HILL
(SHERMAN HOUSE)**

REQUEST

A request for a 21 month extension of time on a building allotment awarded under the Downtown Small Vertical Mixed Use RDSCS competition for the fiscal year 2008-09 allotment.

RECOMMENDATION

Environmental Assessment: N/A

Application MC-05-04: Adopt Resolution recommending City Council approval of a 21-month extension of time.

Processing Deadline: October 13, 2009

BACKGROUND

In March 2006, the applicant, Sherman House Associates, was awarded a 7 dwelling unit building allotment in the Residential Development Control System (RDSCS) Downtown Competition under the Small Vertical Mixed Use category. The building allotment was awarded for fiscal year 2008-09. In November 2006, the voters approved Measure F. Measure F established a separate set-aside of 100 units to be allocated to projects in the Downtown Core area bounded by Main Avenue to the north, the railroad tracks to the east, Dunne Avenue to the south and Del Monte Avenue to the west. Measure F also allowed this project and other projects that competed in the March 2006 Downtown RDSCS competition to advance the timing their fiscal year building allotments so that projects can be completed sooner. However, Measure F did not eliminate the deadline to commence construction under a project's fiscal year building allotment. In June 2007, the City Council approved an exception to loss of building allotment

(ELBA), extending the building allotment for one fiscal year. For the City's Sherman House, the project must commence construction by June 30, 2010.

CASE ANALYSIS

The procedures recommended by the Planning Commission and adopted by the City Council to implement Measure F, included provisions that will allow a Downtown Area RDCS project awarded a building allotment in the March 2006 competition, to receive a supplemental allotment from the Measure F 100-unit set-aside. To receive a supplemental allotment, the project must be located in the Downtown Core area described above, and the project at the higher density must score the same or higher compared to the project in the March 2006 competition. The Downtown Plan update that is currently underway is proposing to increase the allowable densities through out the downtown from 8 to 18 dwelling units to the acre to up to 40 to 50 dwelling units to the acre. The higher density would apply to the Sherman House property. Currently higher densities at a maximum of 40 dwelling units to the acre are limited to "opportunity sites" such as the Sunsweet Property on East Third Street. The Downtown Plan update is expected to be completed in the Fall of 2009.

The City would like to preserve the current building allotment and plans to increase the number of dwellings in the project. This will be possible when higher residential densities are adopted for the entire Downtown. To provide sufficient lead time to design a revised project with more units, the City is requesting a 21-month extension of time for the project's current 7-unit building allotment. The request would extend the project's building allotment from fiscal year 2009-10 to fiscal year 2011-12. The extension will allow time for the City to revise the project and receive a Measure F allotment following completion of the Downtown Plan Update. It is possible the City may choose to draw from the recently approved Measure "A" allotment to add density to the project. Staff recommends approving the 21-month extension of time to allow the City an opportunity to increase the residential density of this project, consistent with the proposed Downtown Plan update.

Attachments:

1. Resolution recommending a 21-month extension of time.
2. Letter dated December 23, 2008

RESOLUTION NO.

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL RECOMMENDING APPROVAL OF A ONE-YEAR EXTENSION OF TIME ON THE RESIDENTIAL BUILDING ALLOTMENT FOR APPLICATION MP-05-04: MONTEREY – SHERMAN HOUSE (APN 726-14-030)

WHEREAS, the Planning Commission pursuant to Chapter 18.78.125 of the Morgan Hill Municipal Code, awarded a building allotment for seven dwelling units for application MC-05-04: Monterey – Sherman House for Fiscal Year 2008-2009; and

WHEREAS, on June 12, 2007, the Planning Commission approved a transfer of building allocations between applications MC-04-04: Diana – Chan, MC-04-12: E. Dunne – Dempsey (Delco) and MC-05-04: Monterey – City of Morgan Hill (Sherman House), extending the building allotment to Fiscal Year 2009-2010; and

WHEREAS, a 21-month extension of time is currently requested to allow the project to receive a supplemental building allotment to increase the project density and the delay is due to expected time needed to complete the Downtown Plan Update and the environmental review and the follow-up Zoning Amendment required to allow the increased density; and

WHEREAS, such request was considered by the Planning Commission at their regular meeting of June 9, 2009, at which time the Planning Commission recommended approval of a 21-month extension of time for the seven unit building allocation awarded to MP-05-04: Monterey – Sherman House; and

WHEREAS, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process.

**NOW, THEREFORE, THE MORGAN HILL PLANNING COMMISSION DOES
RESOLVE AS FOLLOWS:**

SECTION 1. Based on the findings required in Section 18.78.040 (E) of the Municipal Code, the Planning Commission recommends a 21-month extension of time on the residential building allotment, extending the time for commencement of construction of the seven Downtown Measure C allocations from June 30, 2010 to April 1, 2012.

RESOLUTION NO.
PAGE 2

**PASSED AND ADOPTED THIS 9th DAY OF JUNE 2009, AT A REGULAR MEETING
OF THE PLANNING COMMISSION BY THE FOLLOWING VOTE:**

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSTAIN: COMMISSIONERS:

ABSENT: COMMISSIONERS:

ATTEST:

APPROVED:

ELAINE BUCK, Deputy City Clerk

, Chair

December 23, 2008

James B. Rowe – Planning Manager
Community Development Department
City of Morgan Hill
17555 Peak Avenue
Morgan Hill, CA 95037

Re: Application MC-05-04: Monterey-Sherman House
Letter of Request to amend development schedule

Dear Mr. Rowe,

This is a request to amend the development schedule of 7 housing allotments from Fiscal Year 2009-10 for our project located in the downtown core area. Due to the world wide economic downturn, it is currently impossible to secure construction financing for a project that includes a housing element.

As a proposed alternate we are requesting the alternate Development Schedule:

Year 1

September 2, 2010	Submittal date for Subdivision, Zoning Amendment and Development Agreement applications.
February 2, 2011	Deadline to Submit for Final Map and Site Review.
August 1, 2011	Recommended Submittal Date for Building Permits.

Year 2

November 1, 2011	Deadline for approval of Building Permit.
April 1, 2012	Deadline for commencement of construction of all units.

We are hoping the next year returns some stabilization to the housing and credit markets with the market for housing improving. Please let me know if you need any additional information.

Sincerely,


James Dumas, AIA



MEMORANDUM

To: CITY COUNCIL

Date: June 9, 2009

From: COMMUNITY DEVELOPMENT DEPARTMENT

**Subject: BUILDING ALLOTMENT FOR FISCAL YEAR 2011/12
OCTOBER 2009 RDCS COMPETITION AND POSSIBLE SET-ASIDES**

BACKGROUND

Under Section 18.78.030 B of the RDCS Ordinance, the number of residential building allotments shall be determined biennially using the California Department of Finance's (DOF) most recently determined persons per household figures and population for the City of Morgan Hill. The total building allotment was last determined in 2008 resulting in 221 building allotments being available in each year of the biennial allotment calculation. In February 2009, the Planning Commission awarded 221 building allotments for FY 2010-11 and recommended a portion of the second year allotment, for 23 units, be awarded to three applicants to complete their projects. The City Council approved the second year allocation at their June 3, 2009 meeting. The balance of the second year allotment, **198 units would be available for the next RDCS competition that would be normally conducted in October 2009 to award the remaining FY 2011-12 building allotment.**

RECOMMENDATION

Adopt Resolution with the following recommendations for approval by the City Council:

1. Recommend the City Council authorize a RDCS competition to be conducted during the upcoming fiscal year.
2. Recommend a one fiscal year competition, provided however, a portion of the building allotment may be extended into a second fiscal year.
3. Recommend that 10 units be reserved for projects in the Central Core areas outside the Measure F (14 blocks) and Measure A (20 blocks) Areas.
4. Recommend that 30 units be reserved for multi-family rental projects.
5. Recommend the City Council reserve a portion of the building allocation for affordable, micro and small project, senior and custom lot competitions as outlined in the following sections of this report.
6. Recommend the City Council reserve up to 48 building allotments for on-going projects that choose not to participate in the next competition or fail to score high enough to secure a greater allotment.

7. Recommend the balance of the allotment be awarded to projects in the Open/Market competition as outlined in the following sections of this report.
8. Direct staff to revise the two existing Measure F policies in order to streamline the "F" process as much as possible, to echo Measure A as much as possible.

CONSIDERATIONS REGARDING FALL 2009 RDCS COMPETITION

As shown on the attached Approved Distribution of Building Allotment Chart, currently there are 975 building allocations awarded to projects through FY 2010-11. Because of the depressed housing market, applicants for many of these projects have requested and received three- and four-year extensions of their FY allotment, resulting in 291 units originally allocated through FY 2010-11 now having been extended into FY 2011-12. If a RDCS competition is held in October 2009, up to 198 additional building allocations would be added to the FY 2011-12 total.

Given that 291 units have already been extended into FY 2011-12, the Council at their June 3rd meeting discussed whether not to hold a competition in October. The City Attorney advised that not holding a competition is not an option and that the FY 2011-12 allotment must be awarded. The Planning Commission however, could choose to conduct competitions in set-aside categories only to address specific housing needs. For example micro, custom, small, multi-family rental, senior housing, downtown housing outside the Measure "A" 20-block area, and affordable housing types would address certain housing needs. No applications were filed last RDCS competition for affordable projects. To be consistent with the General Plan, a minimum of 20 percent of the annual building allotment should be made available for a separate affordable projects competition. It was the consensus of the Council at their June 3rd meeting that an October 2009 competition should be held, that the competition should be for one year only, and the competition should include projects in the Open/Market category. The Council is looking to the Commission to provide a recommendation for distributing the building allotment in other set-aside categories.

CONSIDERATION OF POSSIBLE SET-ASIDE CATEGORIES

Under Section 18.78.030 C of the RDCS Ordinance, the number of allotments shall be divided between conventional single-family dwellings, mobile homes and multi-family dwellings in a manner determined by the City Council; provided that no less than 33 percent of all allotments shall be awarded to single-family dwellings. The number of affordable/elderly dwelling units shall be assigned in a manner consistent with state law for the total number of allotments assigned for that year. The Council may, if it chooses, further divide the allotments according to geography, price, development size, phasing, including the number of units and timing of allotments required to complete a project, and similar criteria as deemed necessary to provide for the general welfare.

In implementing the RDCS, the City Council has in the past divided the building allotment under the various set-aside categories. Categories that have been used in the past, and other possible new categories, are described below:

- Micro Project, projects with 6 or fewer units at build out.
- Custom Lot Subdivisions, projects where a developer completes the off-site street and utility improvements. The improved lots are then sold to persons to construct a custom built home on the improved lot within a two year period.
- Small Projects, projects with a minimum of 7 units and maximum of 15 units at build out.
- Small Vertical Mixed Use, projects of up to 15 units with a mix of retail, office and residential allowed in mixed use districts typically in the Downtown, or mixed use districts such as CC-R or the CL-R along Monterey Road between Dunne and Tennant.
- Affordable, projects of any size with 75 percent of the units affordable to very low, low and median households and up to 25 percent of the units can be sold at market rates. Applicants under this set-aside are typically non-profit agencies such as EAH or South County Housing.
- Multi-family Rental, projects of any size providing market rate rental housing, typically apartments. To be consistent with the General Plan, an average of 20 percent of all new housing allocations should be designated for multi-family units and a minimum of 30 percent of new multi-family units should be rentals. Allocations for 68 rental units were awarded in the last competition. Given our low apartment vacancy rate, around 2 percent, there continues to be a market demand for new multi-family rental housing.
- Open/Market Rate, projects of any size although most projects in this competition category average around 60 units. Dwelling units can be sold at market rates typically to moderate and above moderate income households. Applicants can receive maximum points under the RDCS Housing Needs evaluation criteria for a commitment to make available 10 percent of the units to be sold at below market rates with 5 percent of the units sold to low income households and 5 percent sold to median income households.
- Senior Housing could be considered as a new category for persons 55 and older. Particularly in the past two years, several developers have expressed interest in building senior housing, and the Housing Element identifies a need for this special population.
- Central Core Areas outside the Measure F (14 blocks) and Measure A (20 blocks) Areas, could be a new category to target housing in the CC-R, CL-R and central areas near downtown.
- Downtown Measure F, projects of up to 25 units located in the downtown core area bounded by Main Avenue to the north, Union Pacific Railroad to the east, Dunne Avenue to the south and Del Monte Avenue to the west. In November 2006, the voters approved Measure F, allowing up to 100 dwelling units to be allocated to projects within this area. The Council has two existing alternative policies, for award of the allotment through either 1) a competition, or 2) on a first come, first served basis in accordance with City Council Policy (attached). Currently, 77 allotments remain under to be awarded under this set-aside, and the Council previously indicated that it would decide how to treat these after the Downtown Exemption ballot measure. The allotment is not assigned to a specific fiscal year and will remain available until the year 2020. Staff suggests revising the two existing policies in order to streamline the "F" process as much as possible, to echo Measure A as much as possible.

ON-GOING PROJECTS

While not a competition category, set-sides have been made available in past competitions for on-going projects. Eligible on-going projects can receive a new building allotment for up to 15 dwelling units in-lieu of competing for a new allotment. According to City Council policy for an on-going RDCS project, to be eligible to receive an automatic 15-unit building allotment in the next RDCS competition, the earlier phases of an on-going development must be in compliance with the development schedule approved for the project and must have completed a phase or at least pulled 50 percent of the building permits for a phase by September 30. For the next competition that deadline is 9/30/09. An exception is allowed where the delay is due to extended city processing.

In the last competition, the Planning Commission awarded 75 allotments out of the 221 total to four eligible on-going developments. See the attached list of on-going projects for an assessment of which are likely to be eligible and which projects are not expected to be eligible. For the next RDCS competition two of the eligible projects would need 13 and 5 allotments respectively to complete the projects, and the other two eligible projects would receive 15 allotments each, for a total of 48 allotments.

In addition to the current eligible on-going projects, another five projects listed are potential new on-going projects. These projects are not expected to have pulled 50 percent of their first phase building permits by 9/30/09 and would not be eligible for an on-going allotment in the next RDCS competition. The City Council has asked the Commission to consider whether the policy for on-going projects should be amended to allow all previously allocated projects to be considered on-going without having to pull building permits for the first phase of the development. When the on-going projects policy was established, RDCS competitions were conducted every two years. A two-year allotment provided a project developer sufficient lead time to complete the entitlement process and be in a position to pull building permits by the September 30 date prior to the next competition filing deadline. If these five projects are added to the eligible on-going projects list, the number of building allotments that would need to be reserved for on-going projects would increase from 48 to 123. Staff recommends not changing the current policy, at least for the next RDCS competition as it would leave too few allotments to award to new projects in the various set-aside categories.

If 48 on-going allotments to eligible projects are subtracted from the 198 remaining allotments, then there would then be 150 units remaining available to distribution into the other set-aside categories.

AFFORDABLE COMPETITION

In order to address the need to create more housing units affordable to very low, low and median income households, it is recommended that the City continue with its past practice of reserving a portion of the allotments for a separate affordable housing competition. Policy 1(i) of the Housing Element of the General Plan recommends the City reserve a portion of the annual RDCS housing allocations for 100% affordable housing projects. The action statement under that policy recommends the City continue to reserve a minimum of 20 percent of the annual RDCS building allotment for very low, low and median income housing. The recommended set-aside, combined with the multi-family rental set-aside, is approximately 27 percent of the total allotment. The affordable housing reserve would be 30 allotments.

MICRO PROJECT COMPETITION

It is recommended the City reserve 6 allotments for the Micro Project competition. Micro projects are defined as any type of residential development consisting of a maximum of six (6) dwelling units. A project must also be located on a site that represents the ultimate or finite development potential of the property.

MULTI-FAMILY RENTAL COMPETITION

The City's apartment vacancy rate remains very low, around two percent. No new market rental housing has been built in the community in more than a decade. Allocations for 68 rental units were awarded in the last competition. Given our low apartment vacancy rate there continues to be a market demand for new multi-family rental housing. It is therefore recommended the City reserve 30 building allotments for multi-family rental housing.

SMALL PROJECT SET-ASIDE

Small projects are defined as any type of residential development consisting of a minimum of seven (7) and maximum of fifteen (15) dwelling units. A project must also be located on a site that represents the ultimate or finite development potential of the property. Staff expects applicants for one or more small projects will apply for a building allotment in the next RDCS competition. It is therefore recommended the City reserve 9 allotments for the Small Project competition.

SENIOR, CUSTOM LOT AND CENTRAL CORE AREA COMPETITIONS

Staff recommends new set-asides for senior housing, custom lot developments and for Central Core Areas outside the Measure F (14 blocks) and Measure A (20 blocks) Areas. Several developers have expressed interest in building senior housing, and the Housing Element identifies a need for this special population. Staff recommends the City reserve 30 allotments for a Senior Housing Competition. Eligible projects can be any housing type. Occupancy must be limited to persons 55 and older.

Staff recommends 10 allotments be reserved for projects located in CC-R and CL-R areas north of Main and South of Dunne Avenue outside the areas under Measure F and Measure A. Eligible projects can be any housing type but would typically be a vertical mixed use development.

A small portion of the available allotment, 5 units is recommended to be reserved for custom lots. It has been more than 15 years since a custom lot set-aside was last available.

OPEN/MARKET COMPETITION

Staff recommends the balance of the 2011-12 building allotment be reserved for projects within the Open/Market Competition.

The following is the recommended distribution for each building allotment category:

Fiscal Year 2011/12

<u>Competition Category</u>	<u>Allotment</u>
On-going Projects	48
Affordable Set-aside	30
Micro Projects	6
Small Projects	9
Multi-Family Rental	30
Open/Market	30
Senior Housing	30
Custom Lot Projects	5
Central Core Area Projects	10
Total	198

APPLICATION FILING DEADLINES

The RDCS requires the filing deadline to be no later than 21 months preceding the fiscal year during which the allotments must be utilized. The filing deadline for the competition, therefore, is October 1, 2009. This deadline applies to all competitions, including the affordable and micro competitions. The exception is the 77 units in the Downtown Measure F Competition. Under Measure F, these units were not assigned to a fiscal year and can be awarded at any time.

Staff recommends adoption of the attached Resolution incorporating the above recommendations for approval by the City Council.

Attachments:

1. Approved Distribution Chart
2. List of On-going Projects and Anticipated Eligibility for "On-going" Award of Allotments
3. Existing Policy for Awarding Measure F Allotment with No Competition.
4. Approval Resolution

R:\PLANNING\WP51\RDCS\MC\2009\RDCS Competition 2009.m2c.doc

Eligible On-going Projects

<u>Project</u>	<u>Total Units</u>	<u>Allocated Units</u>	<u>Remainder</u>
MC-04-12: E. Dunne – Dempsey	78	63	13
MC-04-21: Barrett – Syncon	52	47	5
MC-04-22: Jarvis – South Valley	256	182	74
MC-04-26: Mission View	129*	78	52
		<u>Total</u>	144

* Phases 10 & 11 and future phases

Potential New On-going Projects*

<u>Project</u>	<u>Total Units</u>	<u>Allocated Units</u>	<u>Remainder</u>
MC-04-04: Diana – Chan	91	32	59
MC-08-18: Monterey- Dynasty	128	68	60
MC-08-16: Peet – Borello	245	23	222
MC-08-22: Murphy – Pan Cal	68	24	44
MC-08-23: E. Dunne – So. Valley	50	18	32
		<u>Total</u>	417

* Projects must pull building permits for 50% of the first phase to be eligible for an on-going allotment.

Approved Distribution of Building Allotments for 1st Qtr 2009 - 2nd Qtr 2011

Project/Competition Type	1Q/09	2Q/09	3Q/09	4Q/09	1Q/10	2Q/10	3Q/10	4Q/10	1Q/11	2Q/11	Total
Micro:											
Del Monte - Giovanni (MMC-04-05)		6									6
Ginger - Custom One (MMC-04-07)			5								5
E. Dunne - Kruse (MMC-04-10)						3					3
Taylor-Murray (MMC-04-09)		3									3
Myrtle-Latala (MMC-07-03)						3					3
McLaughlin - Malech (MC-08-14)									4		4
Small:											
San Pedro - Alcini (MC-04-17)						4 + 8					12
Wright - Dividend (MC-04-27)							6 + 9				15
Clayton-O'Brien (MC08-13)									5		5
Open Market:											
Tilton - Glenrock/Shea (MP-02-03)*				20							47
Diana - Chan (MC-04-04)						15 + 12					32
E. Dunne Dempsey (MC-04-12)						5 + 13					15
Barrett - Odishoo (MC-04-13)*					5	13					18
Church - Alcini (MC-04-15)				14							14
E. Main Thrust (MC-04-19)						13		5		8 + 8	34
Barrett - Syncon Homes (MC-04-21)		13				5+14				15	47
Jarvis - South Valley Dev (MC-04-22)				18		13	15			14+9	69
Pect - Lupine Investors (MC-04-25)				18		6	12				36
Mission View - Mission Ranch (MC-04-26)				17		18				15+15	65
Pect - Borello (MC-08-16)										23	23
E. Central - Sheng (MC-08-17)										17	17
Monterey - Dynasty (MC-08-18)										68	68
Murphy - Pan Cal (MC-08-22)										24	24
E. Dunne - So Valley Dev. (MC-08-23)										18	18
W. Dunne - So. Valley Dev. (MC-08-24)										8	8
Vertical Mixed Use:											
Monterey-Sherman House (MC-05-04)						7					7
Depot - The Granary (MC-05-12)*		6+6									12
Monterey - Gunter (MC-05-03)			4							11	15
Affordable:											
Jarvis-So County Housing (MC-05-02)						17					17
E. Central-Urban Housing (MC-05-09)		12				37					49
Downtown Open Market:											
Monterey-Alcini (MC-05-05)						27					27
Diana-EAH (MC-05-08)						10+70					80
E. Main-Ahlin (MC-05-06)		50				43+6					99
E. Third-Glenrock (MC-05-11)		12				43					55
Monterey - Sherman House (MF-07-01)											23
Totals		108	5	91	5	405	42	5		291	975

No signed development agreement

*DAA and DSA in process

Reflects Amended Development Schedules as of March 31, 2009

CITY OF MORGAN HILL

CITY COUNCIL POLICIES AND PROCEDURES

CP 07-02

**SUBJECT: POLICY FOR ESTABLISHING PROCEDURES FOR SCORING AND
AWARDING THE 100 ALLOTMENTS MADE AVAILABLE NOVEMBER
2006. [No Competition]**

EFFECTIVE DATE: APRIL 18, 2007

REVISION DATE: AUGUST 22, 2007

ORIGINATING DEPT: PLANNING

Procedures for Scoring and Awarding 100 Measure F Allotments for the Micro, Non Micro and Currently Allocated Projects within the Downtown.

It shall be the policy of the City of Morgan Hill to utilize the following procedures for awarding the 100 allocations made available through the passage of Measure F in November 2006.

Eligible Projects

New projects must meet the following criteria:

1. Must be located within the downtown core (defined as from south of Main, north of Dunne, east of Del Monte, and west of railroad tracks).
2. Mixed use or residential development consisting of a maximum of twenty five dwelling units.
3. Project must be no less than 75% of the maximum density allowed pursuant to the General Plan.
4. Must not be a currently allocated RDCS project applying for the same or fewer, number of allocations which would "substitute" for allocations previously awarded.

Currently allocated projects must meet the following criteria:

1. Must meet eligibility requirements 1 above AND
2. Must currently have allocations which were granted in the 2005 RDCS Downtown Competition.

Distribution of Allotments

Eighteen out of the 100 allocations shall be reserved for micro projects (6 units or less) 82* for large projects of 7-25 units.

* Measure F allocations awarded to currently allocated downtown projects shall be subtracted from the large project allocation set a side.

A final determination of the distribution of allotments between micro, non micro and previously allocated projects shall be determined by the City Council.

Development Allotment Application.

All applications for development allotments shall be consistent with Section 18.78.410 of the Municipal Code.

Micro, Non Micro and Currently Allocated Filing periods.

The beginning filing date for the 100 Measure F allotments shall be determined by the City Council. The filing period shall remain open until all allocations have been awarded.

Planning Officers' Review.

The planning officer shall review each application to determine whether or not the proposed development conforms to the city's General Plan, Downtown Plan and Title 18 of the Municipal Code. The planning officer shall notify the applicant of his/her decision within 15 days of the close of the filing period. If the planning officer determines that a proposed development does not conform to the General Plan Downtown Plan and Title 18 the application shall be rejected. If the application is rejected, an applicant may appeal the planning officer's determination in the manner prescribed in Section 18.78.100(B) of the Municipal Code. Applications which have been rejected shall lose their standing within the time/date order of applications received.

Evaluation--Standards and Criteria for Currently Allocated Downtown projects seeking to increase project density with Measure F allocations.

A. Previously allocated downtown projects which have been revised to increase the number of units shall be evaluated by the planning officer according to the standards and criteria contained in Sections 18.78.200 through 18.78.330 of the Municipal Code at the time of the project's initial award of allocation.

B. In order to be eligible for Measure F building allotments, a revised project must maintain or exceed the score achieved at the time of the project's initial RDCS evaluation.

C. Any loss in points resulting from the increase in density shall be made up by increasing project commitments within any scoring category.

D. The planning commission shall review the planning officer's evaluation and make the final award of allocations based on maintenance of initial evaluation score and date and time of application submittal.

Evaluation--Standards and Criteria for Micro Projects of 6 or Less Dwelling Units.

A. Projects will be evaluated according to the standards and criteria contained in Sections 18.78.200 through 18.78.330 of the Municipal Code.

B. In order to be eligible for building allotments, a project must receive at least **seven and one half points** in Part 1 and **one hundred fifty points** in Part 2 of the allotment evaluation. Those that fail to receive a minimum passing score will have the opportunity to improve their designs and must reapply as a new application receiving a new date and time for submittal.

C. Each micro project application shall be evaluated by the planning officer. The Part 1 criteria shall be applied in the manner consistent with the provisions contained in Section 18.78.200 of the Municipal Code. However, under Part 2 of the evaluation, each micro project shall be assigned the following minimum scores:

<u>Category</u>	<u>Minimum Score</u>
Schools	16
Open space	12
Orderly and contiguous	2
Public facilities	5
Parks and paths	5
Housing needs	8
Housing types	12
Quality of construction	8
Lot layout and orientation	9
Circulation efficiency	8
Safety and security	5
Landscaping	7
Natural and environmental	7
Livable Communities	5
Total	109

D. The planning officer shall examine each proposed development and shall rate each development by the assignment of no more than the maximum number of points allowable on each of the following categories (highlighted above): schools, open space, orderly and contiguous, public

facilities, parks and paths, housing needs, quality of construction, safety and security and livable communities.

E. The planning officer shall award allocations to projects first meeting the minimum score requirement and date and time of application submittal.

F. The planning commission shall review and confirm the scores assigned as part of the planning officer's evaluation. The planning commission shall make the final award of allocations to project's first meeting the minimum score requirement and date and time of application.

Evaluation--Standards and Criteria for Non-Micro Projects containing 7 to 25 Dwelling Units.

A. Projects will be evaluated according to the standards and criteria contained in Sections 18.78.200 through 18.78.330 of the Municipal Code.

B. In order to be eligible for building allotments, a project must receive at least **seven and one half points** in Part 1 and **one hundred sixty points** in Part 2 of the allotment evaluation. Those that fail to receive a minimum passing score will have the opportunity to improve their application and must reapply as a new application receiving a new date and time for submittal.

C. Each project application shall be evaluated by the planning officer. The Part 1 criteria shall be applied in the manner consistent with the provisions contained in Section 18.78.200 of the Municipal Code.

D. The planning officer shall examine each proposed development and shall rate each development by the assignment of no more than the maximum number of points allowable on each of the categories.

E. The planning commission shall review and confirm the scores assigned as part of the planning officer's evaluation. The planning commission shall make the final award of allocations to project's first meeting the minimum score requirement and date and time of application.

Award of Allotments.

A. Currently allocated Downtown projects which maintain their original score may be awarded allotments to a maximum of 25 allocations. Each project shall be awarded allocations on a first come first serve basis.

B. Proposed **micro developments** which have received a minimum of **one hundred fifty points** under Section 18.78.120, and **large projects** which received a minimum of **one hundred sixty points** under Section 18.78.120 shall be awarded allocations on a first come first serve basis.

Returned Allocations

Allocations which are not used due to default shall be returned to the respective competition category (micro/non micro). Applications may be filed for the unused allocations. The beginning date for acceptance of applications shall be established by the Council. Applications filed on or after that date which receive a minimum passing score shall be assigned the unused allocations on a first come first serve basis. The planning commission shall review and confirm the scores assigned as part

of the planning officer's evaluation. The planning commission shall make the final award of allocations.

Appeal Procedure.

Appeals of the planning officer's or planning commission evaluation shall follow the procedures set forth in Section 18.78.400 of the Municipal Code.

Development Agreement Required.

All new projects and currently allocated downtown projects receiving Measure F allocations shall be required to enter into a Development Agreement with the City of Morgan Hill. The development agreement will require timely use of the building allotments including a performance schedule with a commencement of construction deadline.

This policy shall remain in effect until the 100 allocations are assigned and utilized by qualifying projects within the downtown core boundary or as modified by the City Council.

APPROVED:

STEVE TATE, MAYOR

RESOLUTION NO.

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF MORGAN HILL RECOMMENDING HOUSING TYPE DISTRIBUTION AND TERM FOR THE RESIDENTIAL DEVELOPMENT CONTROL SYSTEM COMPETITION TO BE CONDUCTED DURING FISCAL YEAR 2009-2010.

WHEREAS, a building allotment under the City's Residential Development Control System would be available in the 2011-12 fiscal year; and

WHEREAS, in the month of June, preceding an allotment year, the Planning Commission is required to provide recommendations to the City Council regarding the total number and distribution of building allotments; and

WHEREAS, the Planning Commission has reviewed recommendations contained in the June 9, 2009 staff report on this item, and has determined that the total number and recommended distribution of building allotment contained therein, as amended, is consistent with the General Plan and the City Code requirements under Chapter 18.78 of the Morgan Hill Municipal Code; and

WHEREAS, testimony received at the June 9, 2009 public meeting has also been considered in the review process;

**NOW, THEREFORE, BE IT RESOLVED BY THE PLANNING COMMISSION
OF THE CITY OF MORGAN HILL THAT:**

SECTION 1: Pursuant to Sections 18.78.030 and 18.78.184 of the Morgan Hill Municipal Code, the Planning Commission recommends the City Council authorize a Residential Development Control System (RDCS) competition to be conducted during the next fiscal year.

SECTION 2: Pursuant to Section 18.78.030 (C) of the Municipal Code, the Commission recommends:

A. A portion of the building allocation shall be reserved for affordable, micro, small project, multi-family rental, central core area, senior, custom lot and open/market competitions as outlined in the attached Exhibit "A."

B. The distribution of allotment as set forth in Exhibit "A" may be adjusted by the Planning Commission as deemed necessary to respond to changes in the housing market (change in the build-out rate for existing projects, increase demand for particular housing types, etc.).

C. The distribution of allotment by housing type and number of dwelling units may be modified by the Planning Commission at time of award of allotment based on demand for a particular unit type provided that no less than 33 percent of the allotment is awarded to single-family dwellings.

D. The RDCS competition recommended by this Resolution shall be for the purpose of awarding the Fiscal Year 2011-12 allotment. The Planning Commission may, on a case-by-case basis, consider a limited allocation into FY 2012-13 as needed to complete a project.

E. The Planning Commission recommends that staff be directed to revise the two existing Measure F policies in order to streamline the “F” process as much as possible, to echo Measure A as much as possible.

SECTION 3: The Planning Commission recommends that the filing deadline for the competitions be October 1, 2009. This deadline applies to all competitions, including the affordable and micro competitions. The exception is the 77 units in the Downtown Measure F Competition. Under Measure F, these units were not assigned to a fiscal year and can be awarded at any time.

PASSED AND ADOPTED THIS 9th DAY OF JUNE 2009, AT A REGULAR MEETING OF THE MORGAN HILL PLANNING COMMISSION BY THE FOLLOWING VOTE:

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSTAIN: COMMISSIONERS:

ABSENT: COMMISSIONERS:

ATTEST:

APPROVED:

Elaine Buck, Deputy City Clerk

,Chair

Exhibit A

Fiscal Year 2011/12

<u>Competition Category</u>	<u>Allotment</u>
On-going Projects	48
Affordable Set-aside	30
Micro Projects	6
Small Projects	9
Multi-Family Rental	30
Open/Market	30
Senior Housing	30
Custom Lot Projects	5
Central Core Area Projects	10
Total	198

**SUPPLEMENTAL ITEM
AGENDA ITEM # 4**

June 4, 2009

Jim Rowe, Senior Planner
Department of Community Development
City of Morgan Hill
15755 Peak Avenue
Morgan Hill, CA 95037

**DEVELOPMENT
SERVICES**

JUN 05 2009

CITY OF MORGAN HILL

Re: RDCS: Measure C; Planning Commission Meeting

Dear Jim,

I have one item I would like the Planning Commission to address this coming Tuesday, June 9, 2009.

With regard to the upcoming Measure C competition I would like Staff, the Planning Commission and eventually the City Council to consider adding "custom homes" as a set aside to the criteria for this year's competition. I believe that of the 900+ allotments that are backlogged there are less than 5 custom lots available for new construction.

The unbelievable downturn in the housing economy with losses greater than 40% of previous prices; it could be that the higher end custom home market could pull us out. I think we all agree that the lower and mid market will be well served in the future of Morgan Hill; however, as a developer and homebuilder, presently there are no opportunities for custom homes on large lots. Within the City there are many properties which can qualify for custom home subdivisions; and, as you know we have proposed a 15 lot subdivision for large custom homes at the corner of Santa Teresa and Watsonville Road. We are adjacent to existing Quail Meadows, a custom home subdivision with only two lots remaining.

We would appreciate Staff, the Planning Commission and the City Council's consideration of adding "custom homes and lots" to a set aside category in this year's completion.

Thank you.

Very truly,

A handwritten signature in black ink, appearing to read "Rocke", with a stylized, flowing script.

Rocke Garcia



MEMORANDUM

To: PLANNING COMMISSION

Date: June 9, 2009

From: COMMUNITY DEVELOPMENT DEPARTMENT

Subject: EXTENSION TO THE BELOW MARKET RATE (BMR) REDUCTION PROGRAM

REQUEST

Discussion on a proposal to extend the time period under which a homebuilder may receive a reduction or waiver of the commitment to provide new BMR housing units that are affordable to low and median income households.

RECOMMENDATION

The Planning Commission should discuss and provide input regarding whether to extend the BMR reduction program.

BACKGROUND

The attached memorandum dated January 27, 2009 provides background information regarding the current BMR reduction program. As an incentive to keep approved housing projects moving forward, the City Council approved a program that allows developers to reduce their BMR commitment in exchange for project enhancements. To implement the program, the Council approved amendments to Development Agreements for six current residential projects that will allow a waiver of the project's BMR commitment if building permits for that phase of the development are pulled and the project is under construction by September 30, 2009. After September 30, projects would be required to provide a reduced number of BMRs as specified in each amended Development Agreement.

As recommended by the Planning Commission and approved by the City Council, the reduction in the number of BMRs provided would be allowed where building permits are pulled (for that phase) on or after the date specified in the amended project Development Agreement and Development Schedule and before September 30, 2010.

ANALYSIS

Due to the continuing decline in the housing market, in particular with respect to new home sales, Dick Oliver with Dividend Homes, and other local homebuilders are requesting that the current BMR reduction program be extended one year to September 30, 2010, to commence construction and obtain a full waiver of the BMR commitment and a one year extension for a reduced BMR commitment with that date being September 30, 2011. The BMR reduction program was intended to reduce the builder's costs and provide an incentive to move forward with new housing starts. Extending the program out a year will have the opposite effect. DeNova Homes, developer of the Viento project on E. Central at Butterfield, is taking advantage of the current program and have pulled permits and are completing construction of their remaining 15 homes. Upon completion of these units, the City will waive the project's remaining BMR commitment allowing the remaining one low income BMR unit and one median income BMR unit to be sold at market rate.

The Planning Commission requested this item be placed on the June 9 agenda to discuss whether to recommend extending the program out a year. The Commission also requested that a representative from one of our local lending institutions be present so that Commissioners could better understand why lenders are not providing construction financing at this time. Through Mr. Oliver, staff has asked that a bank representative be present at the meeting.

Should the Commission recommend extending the BMR reduction program, staff recommends that the waiver be extended one year to September 30, 2010 and the reduced BMR program be extended six month to April 30, 2011. If the housing market has not improved by the end of 2010, the April deadline could be extended another six months prior to the April deadline. Staff may also have an alternative recommendation for the City Council.

Attachments:

1. Letter from Richard Oliver dated June 4, 2009
2. Memo to Planning Commission dated May 27, 2009
3. First Quarter Report on New Home Closures in Morgan Hill
4. Planning Commission Report dated January 27, 2009

DIVIDEND HOMES, INC.
385 WOODVIEW AVE., SUITE 100
MORGAN HILL, CA 95037-2891
(408) 779-5900 FAX (408) 779-3840
roliver@dividendhomes.com

June 4, 2009

Planning Commission Members
City of Morgan Hill
17555 Peak Ave.
Morgan Hill, CA 95037-4128

Re: Extension to the BMR Reduction Program

Honorable Members of the Planning Commission:

I am unable to attend your Planning Commission meeting scheduled for June 9th. At your last meeting, of May 26th, you discussed at some length the possibility of recommending to the City Council an extension to the BMR Reduction Program. Under consideration was the desirability and necessity of extending this program for one additional year for the 100% BMR Reduction to September 30, 2010 and the 50% BMR Reduction to September 30, 2011.

You provided me with the opportunity to speak in favor of this extension, and consideration was given to the market data which clearly indicated that sales from builders were at an all time low (only one such sale being reported for the first quarter of 2009) and the input from several developers that lenders are not considering allowing any of us to commence new phases. At your request, the following day, I provided a Memo (see copy attached) and a copy of the real estate data that I had received in support of extension.

I still believe that this additional one-year extension is justified, is needed and is in the best interest of not only the development community, but the City as well. You will recall that one of the primary reason and justifications for the BMR Reduction program was to create incentives (which are primarily to allow the developers to convince the lending community that our projects are economically feasible even though sales prices have declined by over 20%). That justification is just as valid today; and, all indications are that the unbelievable decline in market and lending conditions are likely to continue for at least another year.

One Commissioner suggested that the extension be limited to a seven month period (i.e. to April 30, 2010 for the 100% Reduction and April 30, 2011 for the 50% Reduction), with a an external trigger that could automatically extend it to the September 30th dates. I suggested that trigger could be a market statistical report, similar to the once provided, which showed that the sales of new homes in the quarter ending March 30, 2010 showed a significant increase (to be determined) and a significant increase in average sales price (by at least a 5% increase) of existing home sales.

Thank you for your consideration; and, I would hope that you might be able to reach a consensus and be able to make an appropriate recommendation to the City Council.

Very truly yours,

DIVIDEND HOMES, INC., a California corporation



Richard B. Oliver, President

Cc: Kathy Molly Previsich, Jim Rowe, Terry Linder, Scott Schilling, Rocke Garcia
Dick

Memo:

To: Planning Commissioners

From: Dick Oliver

Date: 5-27-09

Re: New Home Closures in Morgan Hill

At the Planning Commission Meeting last evening, I quoted some statistics that I had received regarding the extremely poor sales of new builder homes in Morgan Hill over the first quarter of this year.

I enclose a copy of the report I referred to. It was provided to me by Real Estate Economics, from whom I had attended a Web seminar on the status of our market.

I have highlighted the relevant information which I quoted, from this report, which is for only the City of Morgan Hill, with a zip code of 95037.

New Builder Homes closed in the first quarter of 2009 = 1

New Builder Homes closed in the first quarter of 2008 = 9

New Builder Homes closed in the first quarter of 2007 = 30

Given the extremely poor environment for new builder home sales, especially in the higher end of the market, where Buyers have found it very difficult to qualify, we have found it impossible to obtain new construction funds for the next phase at Mission Ranch and the next phase at Alicante.

We do not know when conditions are likely to improve which will change the lender situation; however, from all the forecasts I have seen, it is likely to be six to twelve months.

Dick Oliver
779-5900

HOUSING TRANSACTIONS REPORT

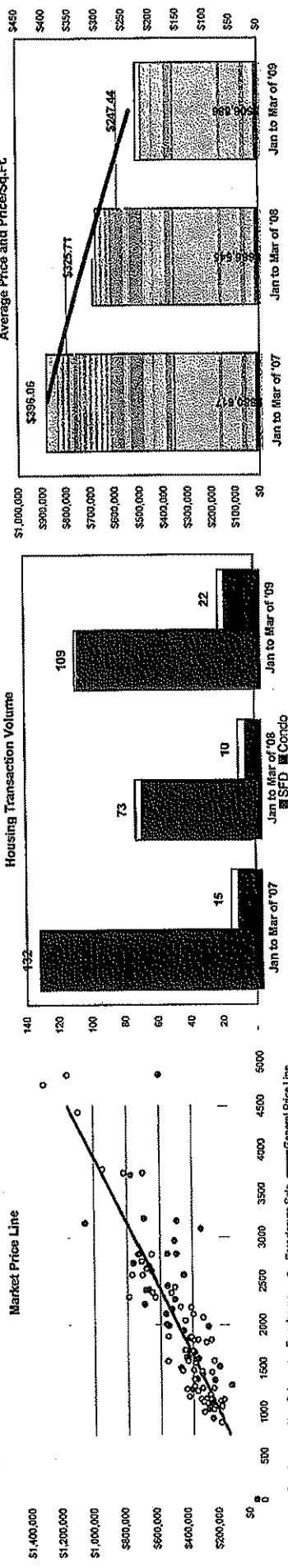
Morgan Hill

Zip Code: 95037
CA, SANTA CLARA

Jan to Mar of '09

CATEGORY	Total Number Of Home Sales				Average Sold Price				Average Unit Size				Average \$/Sq. Ft.				Average Mortgage Amount			
	Current Period	One Year Ago	Two Years Ago	%	Current Period	One Yr. Ago	Two Yrs. Ago	%	Current Period	One Yr. Ago	Two Yrs. Ago	%	Current Period	One Yr. Ago	Two Yrs. Ago	%	Current Period	One Yr. Ago	Two Yrs. Ago	%
OVERALL	131	100%	83	100%	\$505,898	\$885,545	\$880,817	-28.1%	2,037sf	2,123sf	2,097sf	-11.9%	\$247.44	\$325.71	\$356.08	-24.0%	\$414,118	\$521,967	\$746,846	-30.1%
% Change from Prev. Period																				
BY TRANSACTION TYPE																				
Resale (Owner-to-Owner)	65	49.6%	40	48.2%	\$534,352	\$713,892	\$943,765	-25.4%	2,347sf	2,347sf	2,160sf	-11.9%	\$225.76	\$323.04	\$406.44	-42.4%	\$424,954	\$553,897	\$718,008	-40.1%
New (Builder-to-Owner)	1	0.8%	9	10.8%	\$850,000	\$777,000	\$1,034,088	-10.4%	1,574sf	1,574sf	2,233sf	-30.3%	\$540.31	\$488.31	\$352.27	-35.2%	\$0	\$479,510	\$859,032	-47.6%
Foreclosure (Owner-to-Bank)	33	25.2%	20	24.1%	\$520,782	\$607,104	\$659,879	-17.7%	2,075sf	2,075sf	1,913sf	-7.9%	\$250.05	\$334.93	\$345.23	-24.2%	\$393,801	\$416,900	\$722,197	-45.1%
Foreclosure Sale (Bank-to-Owner)	32	24.4%	14	16.9%	\$444,417	\$663,893	\$945,400	-53.1%	1,755sf	1,755sf	2,052sf	-14.4%	\$257.35	\$300.08	\$477.75	-45.1%	\$393,801	\$416,900	\$722,197	-45.1%
BY TYPE OF PRODUCT																				
Single Family	109	83.2%	73	88.0%	\$554,917	\$723,764	\$926,988	-39.8%	2,289sf	2,289sf	2,189sf	-4.5%	\$243.38	\$333.41	\$397.45	-38.4%	\$440,456	\$543,394	\$783,339	-43.5%
Condominium	22	16.8%	10	12.0%	\$304,230	\$383,890	\$486,928	-36.5%	1,322sf	1,322sf	1,439sf	-9.5%	\$224.38	\$286.88	\$384.41	-41.7%	\$289,916	\$381,258	\$444,471	-34.4%

MKT PRICE LINES	Total Number Of Home Sales				Average Sold Price				Average Unit Size				Average \$/Sq. Ft.				Average Mortgage Amount			
	Current Period	One Year Ago	Two Years Ago	%	Current Period	One Yr. Ago	Two Yrs. Ago	%	Current Period	One Yr. Ago	Two Yrs. Ago	%	Current Period	One Yr. Ago	Two Yrs. Ago	%	Current Period	One Yr. Ago	Two Yrs. Ago	%
Std Price Line	750sf	\$249,000	\$311,000	-19.6%	\$249,000	\$311,000	\$373,000	-33.8%	1,250sf	1,250sf	1,500sf	-16.7%	\$199.20	\$249.60	\$311.00	-36.4%	\$199,200	\$311,000	\$373,000	-46.3%
Std \$/Sq. Ft.	\$250.57	\$249.00	\$249.00	0.0%	\$249.00	\$249.00	\$249.00	0.0%	\$200.00	\$200.00	\$200.00	0.0%	\$200.00	\$200.00	\$200.00	0.0%	\$200.00	\$200.00	\$200.00	0.0%
Condominium Price Line	\$209,000	\$290,000	\$330,000	-37.9%	\$290,000	\$330,000	\$411,000	-29.4%	\$411,000	\$411,000	\$461,000	-10.6%	\$461,000	\$461,000	\$461,000	0.0%	\$461,000	\$461,000	\$461,000	0.0%
Condominium \$/Sq. Ft.	\$278.67	\$250.00	\$220.00	23.2%	\$220.00	\$220.00	\$205.50	6.8%	\$205.50	\$205.50	\$200.44	2.5%	\$200.44	\$200.44	\$200.44	0.0%	\$200.44	\$200.44	\$200.44	0.0%





MEMORANDUM

To: PLANNING COMMISSION

Date: January 27, 2009

From: COMMUNITY DEVELOPMENT DEPARTMENT

**Subject: AMENDMENTS TO DEVELOPMENT AGREEMENTS TO IMPLEMENT
REDUCTION IN BMR COMMITMENTS IN EXCHANGE FOR PROJECT
ENHANCEMENTS.**

BACKGROUND

In August 2008, the City Manager presented a report to the Council on the underlying issues that keep approved housing projects from moving forward. After much discussion, the Council referred this matter to the Planning Commission for recommendations that would address these underlying issues. The Commission held a workshop and two public hearings in September, received testimony from homebuilders and considered the specific issues, housing data and exhibits. The Commission's specific recommendations are contained in the attached Council Report dated October 15, 2008. The City Council approved the Commission's recommendations at their October 15 meeting with one modification under item 1a in the attached report (the recommendation to allow a 50 percent reduction in the number of BMR units). The Council modified item 1a to waive the BMR requirement entirely for projects that are able to commence construction by April 30, 2009. Implementing the Commission's recommendations will require amending the Residential Development Agreement for each of the projects awarded a building allotment through fiscal year 2009-10 for applicants the reduction in BMR's.

To allow for the reduction in the number of BMR units, developers were advised that some type of product upgrade or enhancement will need to be proposed as part of each Development Agreement Amendment (DAA), such as a commitment to Build It Green, with such upgrade to be incorporated within the DAA. Staff contacted each developer who is eligible to participate in the BMR reduction program and asked each developer/project to propose an "enhancement" that provides a public benefit and that works for the homebuilder and the subject project.

On December 16, 2008 the Planning Commission conducted a workshop to review proposals for 12 participating projects showing the status of each project, the BMR reduction request and other requested amendments, the project's proposed enhancements, and a table showing the drawing down in the BMR commitment as the project is completed. After receiving comments from the

applicants that were present, Commission agreed on the following minimum requirements as public benefits in exchange for a temporary waiver/reduction in the number of BMR units.

Enhancements:

Taking into the account the current financial difficulties facing the applicants and their desire to avoid the cost and time of having their existing approved plans revised and rechecked, the Commission approved the following for projects that have completed the building permit plan check process for all models within all phase(s) requesting BMR elimination/reduction:

- ✓ Minimum 90 point BIG certification; or
- ✓ Additional 10 percent secondary dwelling units.

Projects that have not completed the building permit process for the phase(s) requesting BMR reduction/elimination shall commit to 110 point BIG certification.

Proposed Development Agreement Language for BMR Reduction Program:

The Planning Commission will need to approve language to be inserted into each of the project's Development Agreement allowing the reduced number of BMRs. In addition, the new language will need to address the temporary waiver of BMRs for projects that pull building permits by specified date to be determined on a project by project basis. Attached are tables and exhibit with the recommended language for each project. Because of the amount of time required to amend each Development Agreement, the Planning Commission to extend the April 30, 2009 deadline to obtain permits for a waiver of BMR's to September 30, 2009 with September 30 being the deadline to physically commence construction. After September 30, 2009, projects would be required to provide a reduced number of BMRs as specified in each amended Development Agreement. To continue to be eligible for the BMR waiver, each project must pass building inspections at 90 day intervals with the first inspection for the foundation.

As recommended by the Planning Commission and approved by the City Council, the reduction in the number of BMRs provided would be allowed where building permits are pulled (for that phase) on or after the date specified in the amended project Development Agreement and Development Schedule and before June 30, 2010.

Proposed Development Agreement Language for Housing Mitigation Fee Reduction:

Another incentive recommended by the Commission and approved by the Council allows a 50 percent reduction in the fee an applicant agrees to pay in-lieu of the BMR commitment or when a fractional share, less than .5 of a BMR is owed upon completion of the project. At the December 16, 2008 workshop, the Commission agreed to include recommended language allowing the 50 percent fee reduction to be added to each Development Agreement.

Defense and Indemnification Clause:

The reduction in the number of BMR units would result in the reduction of up to 13 points to projects under the Housing Needs category of the RDCS Standards and Criteria and a reduction of two points under the Housing Types category. Under Section 18.78.150(B) of the Municipal Code, should a project deviate below the points awarded for its initial application, the Planning Officer shall report such deviation to the City Council. Thereafter, the Council, after holding a hearing, may rescind all or part of the development allotment in favor of another development which has qualified for such allotment and which is capable of commencement in the year for which the allotment was awarded. For the projects requesting a reduction in BMRs, the Council would choose not to rescind the development allotment after hearings are held to amend the Residential Development Agreements. The amendment to the Development Agreement would need to include provisions that would require the homebuilder or property owner to defend and indemnify the City against any legal challenge to the decision not to rescind the development allotment in favor of a next in line project. The City Attorney has drafted the required language as shown in the second attachment to this memorandum and incorporated as an amendment in each Development Agreement.

Implementation Schedule:

Following the December 16 workshop, staff met with each applicant to prepare amendments to the Development Agreements for each of the projects identified in the attached exhibits. The proposed DAAs will be considered by the Planning Commission at public hearings on January 27, 2009 and by the City Council on February 18, 2009.

Attachments:

- 1) Project Summary Sheets
- 2) Proposed Development Agreement Language for the BMR Reduction Program



MEMORANDUM

To: PLANNING COMMISSION

Date: June 9, 2009

From: COMMUNITY DEVELOPMENT DEPARTMENT

Subject: HIGH-DENSITY SINGLE FAMILY SINGLE FAMILY GENERAL PLAN
DESIGNATION AND ZONING DISTRICT

REQUEST

Review and discuss new general plan land use designation of Single Family High (6-11 Du/Ac) and zoning text amendments proposed to incorporate a High-Density Single-Family (R-1 4,000) zoning district into Chapter 18 Zoning, of the Morgan Hill Municipal Code.

DISCUSSION

On May 26 the Planning Commission held a workshop to discuss the proposed general plan amendment and zoning text amendments proposed to allow high density single family development.

The following concerns expressed at the workshop:

- Where would the Single Family High designation be located?
- Would the 4000 minimum lot size be further reduced through the PD process?
- What does this type of development look like?
- If private streets are used would there be sufficient parking?
- Can granny units reasonably fit on small lot single family?

Location:

The proposal at this time is to only amend the General Plan text to define the Single Family High land use and creation of the corresponding zoning designation. The proposed Single-Family High land use designation would be defined as follows:

Single Family High. The Single Family High land use is meant to accommodate detached single family homes on small lots at a density of 6-11 dwelling units per acre.

The proposed Single Family High (6-11 Du/Ac) GP designation will allow for detached homes at densities currently found in the Multi-Family Low (5-14 Du/Ac) and Single Family Medium (3-5 Du/Ac) GP designations and is intended to provide a transition between existing and proposed Multi-Family Low and Single Family Medium development, allowing for creation of lot sizes lower than the current 7,000 sq. ft. minimum.

The exact locations and extent of the Single Family High land use designation is not known at this time. Application of the proposed Single-Family High land use designation and corresponding zoning on specific properties will initially be done on a case-by-case basis in response to individual

property owner application for a Single Family High GP designation and corresponding zoning amendment. The Commission and Council as part of the individual application requests will need to evaluate whether the requested site is appropriate for Single Family High development

A City effort to place the Single Family High land use designation on the land use map will be done as part of a comprehensive update of the General Plan Land Use Element.

Planned Development overlay:

Developers would be able to apply for a Planned Development PD, overlay on top of the R-1 4,000 zoning standards. Approval of a PD application requesting reduction of the R-1 4,000 base standards would need to be considered on a case by case basis consistent with the findings for a PD designation.

Parking:

Currently the City parking ordinance requires guest parking for single family dwellings in addition to the two covered and driveway requirement. Guest parking at a ratio of 1 space per 4 dwelling is required either on the street or off-street mid-block locations. The use of private drives or smaller lots would not eliminate a project's obligation to provide the appropriate amount of guest parking. Parking deviation can only occur through the PD process. Implementation of the Single Family high zoning would not change the current parking requirement for single family homes.

Examples:

The following R-1 7,000/RPD developments closely work within site development standards proposed for the R-1 4,000 zoning district: El Dorado II, Kelly Park, Morgan Ranch, and Venetian Village. The lot sizes within these developments are as low as 4,350 sq. ft. and the FAR of the units are between 30-55%. The (R-1 7,000/RPD) Oak Park development with 3,280 sq. ft. lots and FAR of 66 percent would require a PD designation to allow the lot sizes to be less than 4000 sq. ft. With the exception of Venetian Village, each development has private streets 29-37 ft. wide and no on street parking but guest parking is located through out the developments.

Two R-2 3,500 developments with single family detached homes were also reviewed; Sorrento and Cottage Greens. The Sorrento project has lots as small as 3,690 sq. ft. and FARs as high as 78%. The Sorrento project has public streets that are 45 ft. wide with on street parking. The Cottage Green project has lots as small as 2240 sq. ft. and FARs as high as 51%. The Cottage Green project has private streets that are 25 ft. wide with no on street parking but has off street guest parking located throughout. Using the proposed R-1 4,000 zoning standards, the creation of projects like Sorrento and Cottage Greens would require a PD designation in order achieve the lot size reductions in lot size, elimination of second story setbacks and the elimination/modification of the FAR limitations. The PD application process would give the Commission and Council the opportunity to review the PD proposal and decide if the benefits outweigh any reduction in base zoning standards.

Site maps and aerials of each of the developments are attached for the Commission's reference.

Secondary Dwelling Units: The amendment proposed to the secondary dwelling unit ordinance would allow up to 640 sq. ft., attached or detached secondary dwelling units in the R-1 4,000 and R-2 zoning district. The secondary dwelling unit ordinance requires the unit meet the required setbacks and stay within the FAR and lot coverage limitations of the underlying zone. A 4000 sq. ft. lot with a FAR limit of 50% would yield a house of 1600 sq. ft. (2000 sq. ft. - 400 sq. ft. garage) in size. Two smaller attached (960 sq. ft. + 640 sq. ft.) units could be completed if an additional (non-covered) parking space can be accommodated on-site. Detached secondary dwelling units would need to be accommodated on larger lots in order to meet the setback and 6 ft. separation requirements.

The R-2 (3,500) and CC-R zoning districts are also proposed to allow secondary dwelling units on lots that are a minimum of 5,000 sq. ft and 6,000 sq. ft, respectively. The Commission expressed concern about too many 2nd dwellings occurring within single family attached PD's. The proposed text amendments would limit the development of secondary dwelling units to lots of 5000 sq. ft. or greater so the majority of the single family attached developments would not be able to accommodate a secondary dwelling unit. Existing single family homes in R-2 and CC-R zoning districts on lots of 5000-6000 sq. ft. or greater could develop a secondary dwelling unit only if the secondary unit meets the setbacks of the underlying zoning district.

RECOMMENDATION

Attached for review and further discussion is a draft of the proposed High-Density Single Family Residential (R-1 4,000) zoning district.

Based on comments received at the workshop, staff has revised the list of conditional uses to be more in line with other single family zoning districts and increased the building height limitation from 30 ft. to 35 ft. to allow for more appropriate roof pitches on narrower 2-story structures.

It is recommended that the Commission review and discuss the proposed Single Family High land use designation and High-Density Single Family Residential (R-1 4,000) zoning district and related zoning text amendments. Based on the Commission's input, staff will develop a final draft for consideration by the Commission at the June 23 meeting.

Attachments:

Section 18.13 High-Density Single Family Residential District
Section 18.04 Definitions
Section 18.50 Parking and Paving Standards
Section 18.55 Secondary Dwelling Units.
Section 18.57 Exceptions
Local project examples

Chapter 18.13

HIGH-DENSITY SINGLE FAMILY RESIDENTIAL DISTRICT

Sections:

- 18.13.010 Purpose of district.
- 18.13.020 Permitted uses.
- 18.13.030 Accessory uses.
- 18.13.040 Conditional uses.
- 18.13.050 Site development standards--Generally.
- 18.13.060 Site development standards
- 18.13.080 Additional required conditions.
- 18.13.090 Trash containers.

18.13.010 Purpose of district.

The purpose of the high density single family residential district is to stabilize and protect the residential character of single family neighborhoods and promote and encourage a suitable living environment. The R-1 4,000 district is intended for detached single family homes on small lots and the community services appurtenant thereto.

18.13.020 Permitted uses.

The following uses shall be permitted in the R-1 4,000 district, with less than 25 percent single family attached, duets or multifamily permitted within a given project:

- A. Single family detached dwellings
- B. Duets, duplex or single-family attached dwellings;
- C. Residential care facilities-Small;
- E. Manufactured homes;
- F. Small and large family day care homes.

18.13.030 Accessory uses.

The following uses are the accessory uses permitted in the R-1 4,000 district:

- A. Signs, complying with the applicable regulations set forth in Chapter 18.76 of this title;
- B. Private garage and parking areas;
- C. Home occupations;
- D. Other accessory uses and buildings customarily appurtenant to a permitted use complying with the applicable regulations set forth in Chapter 18.56 of this title;
- E. Secondary dwelling units complying with the applicable regulations set forth in Chapter 18.55 of this title;

18.13.040 Conditional uses.

The following uses may be conditionally allowed in the R-1 4,000 district, subject to issuance of a conditional use permit, in accordance with Chapter 18.54 of this title:

- A. Public and quasi-public buildings and uses for a recreational, educational, religious, cultural or public-service type, not including corporation yards, storage or repair yards, and warehouses;
- B. Community clubs, and other public and private noncommercial recreational areas and facilities, such as country clubs, golf courses and swimming pools;

- C. Hospitals and other medical facilities, provided that such uses are located adjacent to an arterial road, as designated on the General Plan land use map;
- D. Nursery schools;
- E. Parking lots providing that such lots are adjacent to commercial zoning districts.

18.13.050 Site development standards--R-1 4,000 district.

The following site development standards shall apply in the R-1 4,000 district:

- A. Minimum lot area:
 - 1. Single family detached: 4,000 square feet.
 - 2. Corner lot single family detached: 4,500 square feet
 - 3. Single family attached, duet or townhouse lots: 3,500 square feet
 - 4. Corner single family attached, duet or townhouse lots: 4,000 square feet
 - 5. Duplex lots: 7,000 square feet
 - 6. Corner duplex lots: 7,500 square feet
- B. Minimum lot width for lots less than 5000 square feet: 40 feet.
- C. Minimum lot width for lots 5000 square feet or greater: 50 feet.
- D. Cul-de-sac lot width: 40 feet
- E. Minimum lot depth: 85 feet;
- F. Maximum floor area ratio: 50 percent
- G. Minimum setbacks:
 - 1. Front: 15 feet
 - 2. Rear: 15 feet; 20 feet for two-story
 - 3. Side interior: first floor shall be equal to 10 percent of the lot width.
 - 4. Side interior: second floor shall be equal to 15 percent of the lot width.
 - 5. Side exterior corner: 9 feet;
- I. Maximum height: 35 feet;
- J. All residential development fronting on an arterial street as defined by the general plan, shall provide a minimum front yard setback of thirty feet, or all residential development with rear or side yard areas adjacent to an arterial street shall provide a minimum fence/wall setback of fifteen feet with an average of twenty feet from the face of the curb;
- K. Parking requirements: as specified in Chapter 18.50 of this title.
- L. Projections into required yard area are allowed pursuant to specifications within Chapter 18.57.
- M. Trash receptacles and enclosures: as specified in Section 18.48.130

CHAPTER 17.34 STANDARDS FOR RESIDENTIAL AND PRIVATE STREETS

17.34.060 Private streets.

Private streets shall only be allowed where no thru traffic or access to adjoining properties is required. Minimum standards of private streets are as follows:

A. Street right of way width shall be forty –eight feet minimum, *except for private streets in the R-4, R-3, R-2 or R-1 4,000 zoning districts, which may be thirty feet upon approval of the Public Works Director..*

B. Curb-to-curb width shall be thirty-six feet minimum *except for private streets in the R-4, R-3, R-2 or R-1 4,000 zoning districts, which may be 24 feet upon approval of the Public Works Director.*

C. Sidewalks and parking shall be provided along both sides of the street *except for private streets in the R-4, R-3, R-2 or R-1 4,000 zoning districts upon approval the Public Works Director.*

Chapter 18.04 DEFINITIONS

18.04.417 Street

“Street” means a public or private thoroughfare, including road, highway, drive, lane, avenue, place, boulevard, and any other thoroughfare that affords the principal means of access to five or more lots.

18.04.412 Street, private.

“Private street” is a paved vehicular access to five or more lots or units over a common parcel or consecutive easements, primarily used by the owners or occupants of the common parcel or consecutive easements and from which the public may be excluded and which are not maintained by a public agency.

Chapter 18.04 DEFINITIONS

18.04.120.13 Density

"Density" means the number of dwelling units permitted per net lot area.

18.04.135 Driveway.

"Driveway" means a permanently surfaced area on a lot, designed and required to provide direct access for vehicles between a street and a private garage, carport or other permitted parking space or parking area or loading area. (Ord. 559 N.S. § A (part), 1981)

18.04.140 Driveway aisle, major.

"Major driveway aisle" means a driveway providing principal access to the parking area or the driveway providing principal circulation throughout the parking areas or premises. (Ord. 559 N.S. § A (part), 1981)

No change recommended. Included for reference only.

18.04.195 Floor area.

~~"Floor area" means the sum of the areas of the several floors of structure(s), as measured by the exterior faces of the walls, less any area within the structure(s) devoted to parking, vehicular atriums or enclosed malls and similar areas. (Ord. 559 N.S. § A (part), 1981)~~

"Floor area ratio" (FAR) means a ratio, expressed as a percentage, of the gross floor area of a given building, as measured by the exterior faces of the walls, to the net area of the parcel of real property on which such building or buildings are located. In determining the FAR for residential uses, the gross floor area shall include the area devoted to covered parking and all area devoted to staircases on all levels. Basement area shall not be included in the gross floor area.

18.04.245 Lot.

"Lot" means a piece or parcel of land owned as a single unit in common ownership, occupied or intended to be occupied by a principal building or a group of such buildings and accessory buildings, or utilized for a principal use and uses accessory thereto, together with such open spaces as are required by this chapter, and having frontage on and access to an approved and accepted city street which meets the standards

of width and improvements as specified in the regulations of the city contained in or adopted pursuant to the subdivision title of this code, and Chapter 18.50 of this title on street improvements as to the frontage of the lot involved, or having frontage on and access to an approved private street or major driveway aisle for properties that are located in the *R-1 4,000*, R-2, R-3, R-4 and CC-R districts. (Ord. 1743 N.S. § 1, 2005; Ord. 559 N.S. § A (part), 1981)

18.04.250 Lot area.

~~"Lot area" means the net site area of a lot, expressed in terms of acres or square feet, exclusive of any public street easements, and exclusive of that percentage of the total area of any other public easements or private easements which is in excess of fifteen percent of the net site area of the lot, exclusive of any such public street easements, which net site area as thus limited can be legally occupied by a principal building or a group of such buildings and accessory buildings, or can be utilized for a principal use and uses accessory thereto, together with such open spaces as are required by Division I of this title. (Ord. 559 N.S. § A (part), 1981)~~

"Lot area" means the net site area of a lot, expressed in terms of acres or square feet. In determining net lot area the following shall not be included:

- 1. Any land within the limits of a street (public or private) upon which the lot abuts, even if fee title to such street is held by the owner.*
- 2. Public easements or private easements other than streets which are in excess of fifteen percent of the net site area of the lot.*

18.04.260 Lot coverage or building coverage.

"Lot coverage" or "building coverage" means that portion of the lot area covered by a building. (Ord. 559 N.S. § A (part), 1981)

No change recommended. Included for reference only.

18.04.395 Setback.

"Setback" means the distance between the building and any lot line, *public or private street easements, or drive-aisles*. (Ord. 1473 N.S. § 5, 2000)

18.04.396 Setback Line.

"Setback Line" means that line which defines the minimum required distance from any lot line, *public or private street easements or drive-aisles*, within which a *primary structure* must be placed. (Ord. 1473 N.S. § 6, 2000)

Chapter 18.50 OFF-STREET PARKING AND PAVING STANDARDS

18.50.200 Tandem parking spaces.

Tandem parking spaces will not be acceptable as required spaces except in the ***R-1 4,000***, R-2, R-3, R-4, ***and CC-R*** districts and only in an enclosed garage. A "tandem parking space" is a parking space so located that it is necessary to move one or more other vehicles in order to allow the vehicle occupying the tandem space to gain access to or from such space. ***A driveway apron shall be provided in front of the covered parking spaces which shall measure a minimum 10 feet in width and 20 feet in depth.*** (Ord. 1743 N.S. § 2, 2005; Ord. 1415 N.S. § 30, 1998; Ord. 559 N.S. § A (part), 1981)

Chapter 18.55 SECONDARY DWELLING UNITS

Sections:

- 18.55.010 Purpose.
- 18.55.020 Applicability.
- 18.55.030 Development standards for new secondary dwelling units. (Ord. 1789 N.S. § 2 (part), 2006)

18.55.010 Purpose.

This chapter provides for secondary dwelling units in certain areas and on lots developed or proposed to be developed with single-family dwellings. Such secondary dwellings are allowed because they can contribute needed housing to the community's housing stock. Their inclusion on the same lot as the primary dwelling will tend to diminish their impact on the surrounding area and on services. Thus, it is found that secondary dwelling units do not exceed the allowable density for the lot upon which they are located; and further, secondary units are a residential use which is consistent with the general plan and zoning regulations. (Ord. 884 N.S. § 3 (part), 1988)

18.55.020 Applicability.

Secondary dwelling units shall only be allowed in the following zones:

- A. O-S District: on lots of five acres (net) or more;
- B. *CC-R: on lots of 6,000 square feet or more;***
- C. *R-2 (3,500) on lots of 5,000 square feet or more;***
- D. *R-1 (4,000): on lots of 4,000 square feet or more;***
- E. R-1 (7,000): on lots of ~~7,000~~ seven thousand square feet or more;
- F. R-1 (9,000): on lots of ~~9,000~~ nine thousand square feet or more;
- G. R-1 (12,000): on lots of ~~12,000~~ twelve thousand square feet or more;
- H. R-1 (20,000): on lots of ~~20,000~~ twenty thousand square feet or more;
- I. R-E (40,000): on lots of ~~40,000~~ forty thousand square feet or more;
- J. R-E (100,000): on lots of ~~100,000~~ one hundred thousand square feet or more. (Ord. 1135 § 59, 1993; Ord. 908 § 1, 1989; Ord. 884 § 3 (part), 1988)

18.55.030 Development standards for new secondary dwelling units. (Ord. 1789 N.S. § 2 (part), 2006)

Secondary dwelling units shall be subject to the same requirements as any dwelling located on the same parcel in the same zoning district, with the following differences:

A. Number of Secondary Dwelling Units. One secondary dwelling unit is permitted for each appropriately zoned parcel that contains single-family dwelling.

B. Minimum Lot Area Per *Primary* Dwelling Unit. The minimum lot area per *primary* dwelling unit required by the applicable district shall apply, except as required by the Hillside Combining District, whichever is larger.

C. Maximum Unit Size. No portion of an attached secondary dwelling unit shall occupy more than thirty percent of the existing living area of the primary dwelling.

The total floor area of an attached or detached secondary dwelling unit shall not exceed the following:

1. In the **CC-R, R-2(3,500), R-1 (4,000)**, R-1 (7,000), R-1 (9,000) and R-1 (12,000) districts: six hundred forty square feet;

2. In the R-1 (20,000) districts: seven hundred fifty square feet;

3. In the R-E (40,000) district: nine hundred square feet;

4. In the R-E (100,000) and O-S districts: one thousand square feet.

D. Relationship to Primary Dwelling Unit. Secondary dwelling units may be either detached from, or attached to the primary dwelling unit on the property. A detached unit must conform to the building setback and *FAR* or lot coverage limitations contained in the applicable zoning district and *if detached*, shall be setback a minimum of six feet from the primary dwelling unit.

E. Required Off-Street Automobile Parking Spaces. There shall be provided at time of establishment of a secondary dwelling unit, a minimum of one space for a studio or one bedroom secondary unit and a minimum of two spaces for secondary dwelling unit containing two bedrooms, in addition to those required for the primary dwelling unit. Off-street parking spaces for the secondary dwelling unit may be uncovered, but shall conform to all other applicable requirements contained in Chapter 18.50. Off-street parking for a secondary dwelling may be located within the front, side or rear yard areas, ~~provided that the parking spaces are setback a minimum of five feet from any interior lot line and fifteen feet from any side property line on the street side of a corner lot.~~

F. Design.

1. The design of the secondary dwelling unit shall be compatible with the design and scale of the existing dwelling (using substantially the same landscaping, color, materials and design on the exterior) and the general character of the neighboring residential properties.

G. Septic Tank Disposal System. Detached secondary dwelling units shall provide separate and independent septic tank sewage disposal systems. All leach lines shall be designed and installed in accordance with Bulletin A, "Septic Tank Sewage Disposal System," or other current septic system requirements issued by the Santa Clara County Environmental Health Services. This provision shall only apply in areas of the city where septic tank disposal systems are allowed due to lack of sanitary sewer lines. In other areas of the city, the second unit shall be connected to the sanitary sewer system through the existing lateral line serving the primary dwelling unit.

H. Maximum Number of Bedrooms. No more than two bedrooms may be constructed in a secondary dwelling unit. (Ord. 1789 N.S. § 2 (part), 2006; Ord. 1343 N.S. §§ 5, 6 & 7, 1997; Ord. 1135 N.S. §§ 58, 60, 61, 62, 63, 64 & 65, 1993; Ord. 958 N.S. § 1, 1989; Ord. 908 N.S. §§ 6, 7, 1989; Ord. 884-A § 1, 1989; Ord. 884 § 3 (part), 1988)

CHAPTER 18.57 EXCEPTIONS

18.57.030 Exceptions to required setbacks.

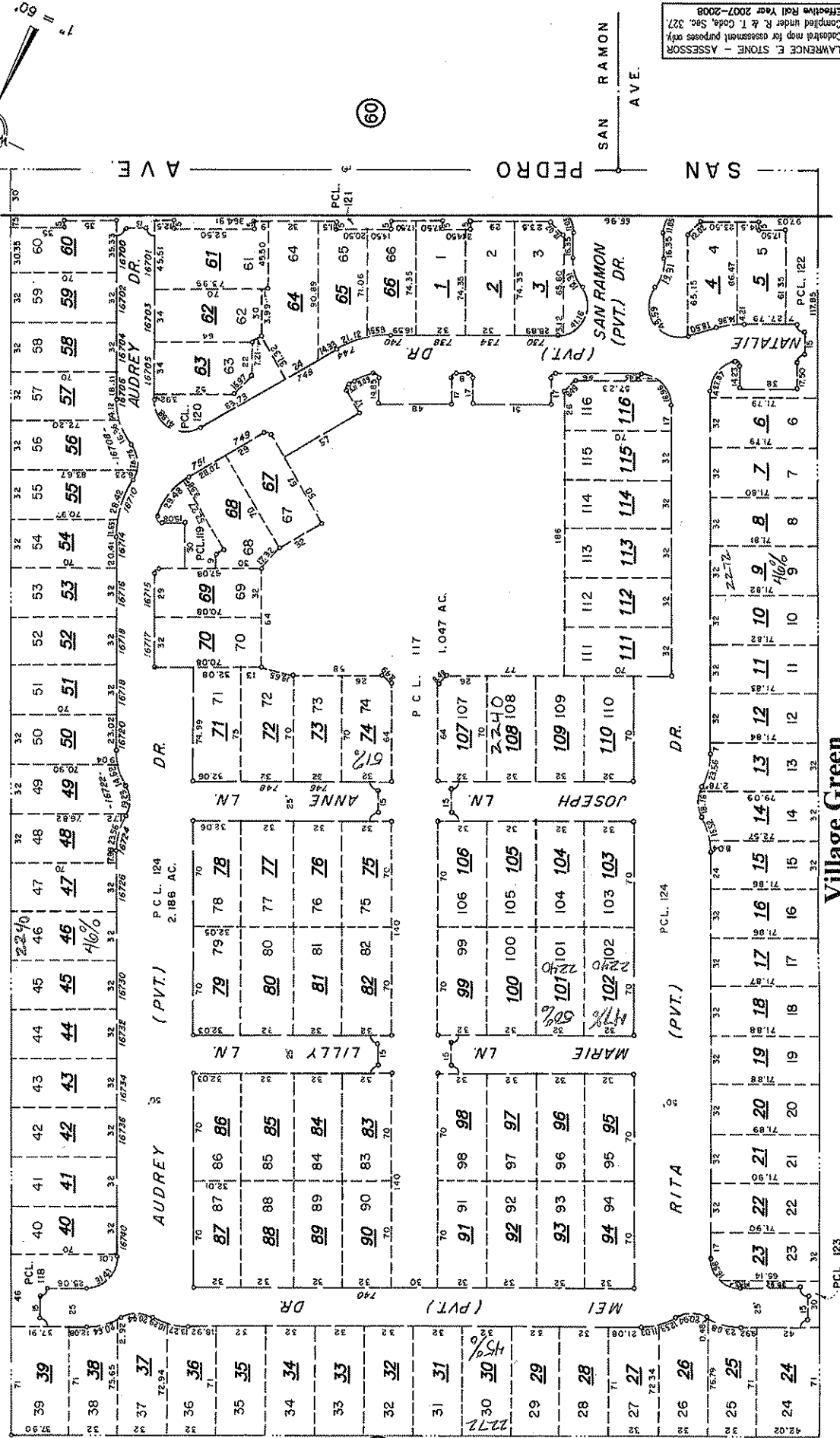
A. The following are exceptions to the setback requirements set forth elsewhere in Division I of this title for structures within the required setback area:

1. Cornices, awnings, eaves, wing walls or other similar architectural features may project into the required setback a distance not to exceed three feet.
2. Canopies or similar architectural features within any non-residential zoning district are permitted within the required setback area provided that they do not project more than two-thirds the distance of the required setback from the property line or public right-of-way and in no case be setback less than five feet.
3. Porches, second story stairways and landings leading to a second story may project a distance not to exceed ~~five~~ *seven* feet and in no case be setback less than five feet.
4. Bay windows and chimneys may project into the required setback a distance not exceeding three feet, provided that such features do not occupy, in the aggregate, more than one-third of the length of the building wall on which they are located.
5. Equipment or structures enclosing such equipment which are attached to the main building or accessory structure (e.g., solar panels and water storage tanks, heating, and air conditioning equipment, or similar mechanical equipment), shall not encroach more than fifty percent into a rear or side yard area. The fifty percent encroachment limitation can be waived if all other applicable code requirements can be met and the encroachment would not adversely affect the adjoining property. The Community Development Director shall approve of any encroachment prior to the issuance of a permit.

TRACT N^o 7524 — COTTAGE GREEN

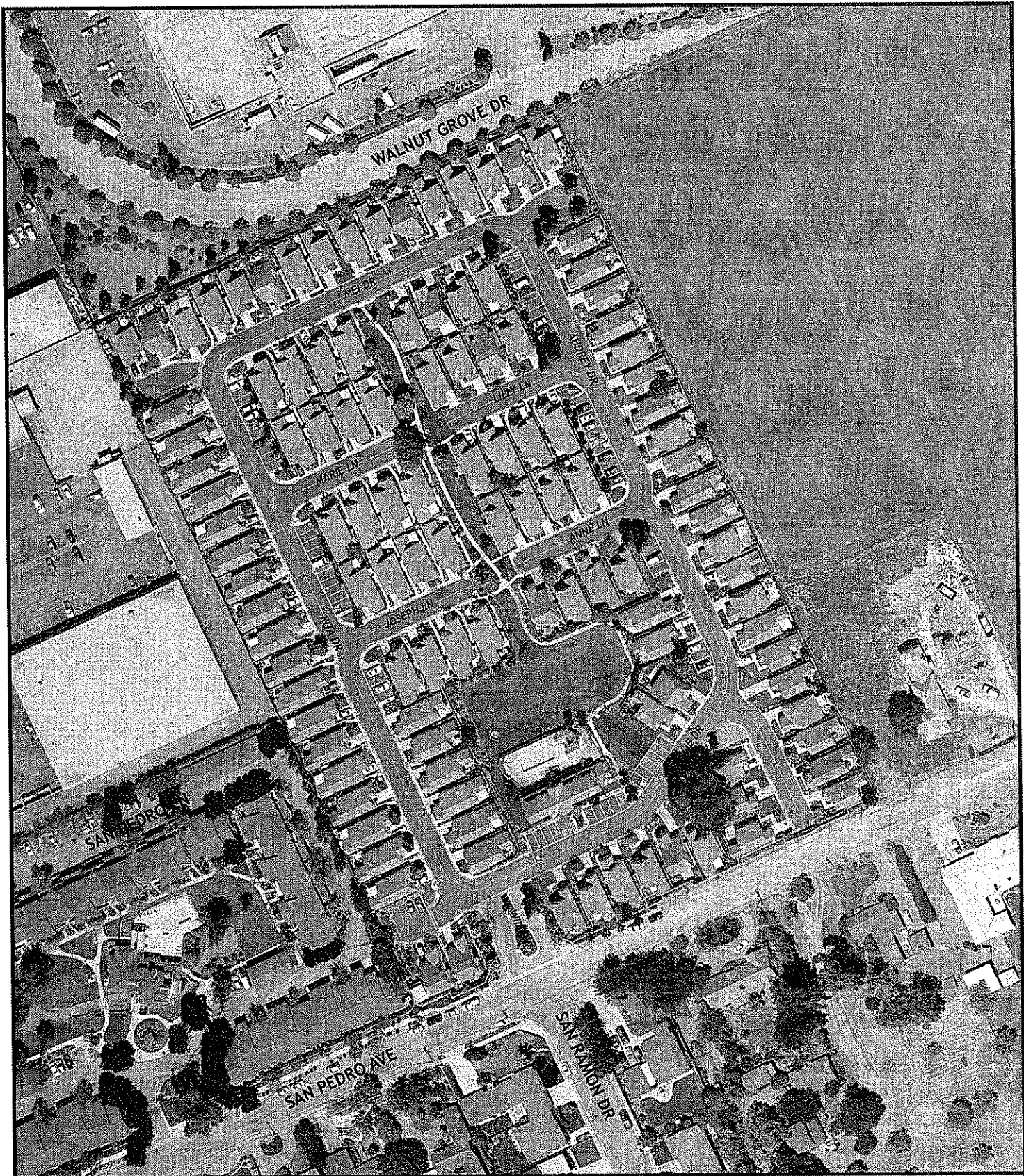
(11)

NOTE: PARCELS 117 TO 124 INCL. ARE COMMON AREAS 3.51 AC. TOTAL



LAWRENCE E. STONE — ASSESSOR
Compiled under R. & T. Code, Sec. 327.
Effective Roll Year 2007-2008

Village Green
Zoning: R-2 3,500/RPD
Smallest lot: 2240 sq. ft.
Highest FAR: 51 %
Majority FAR: 45-50%



0 45 90 180 270 360
Feet

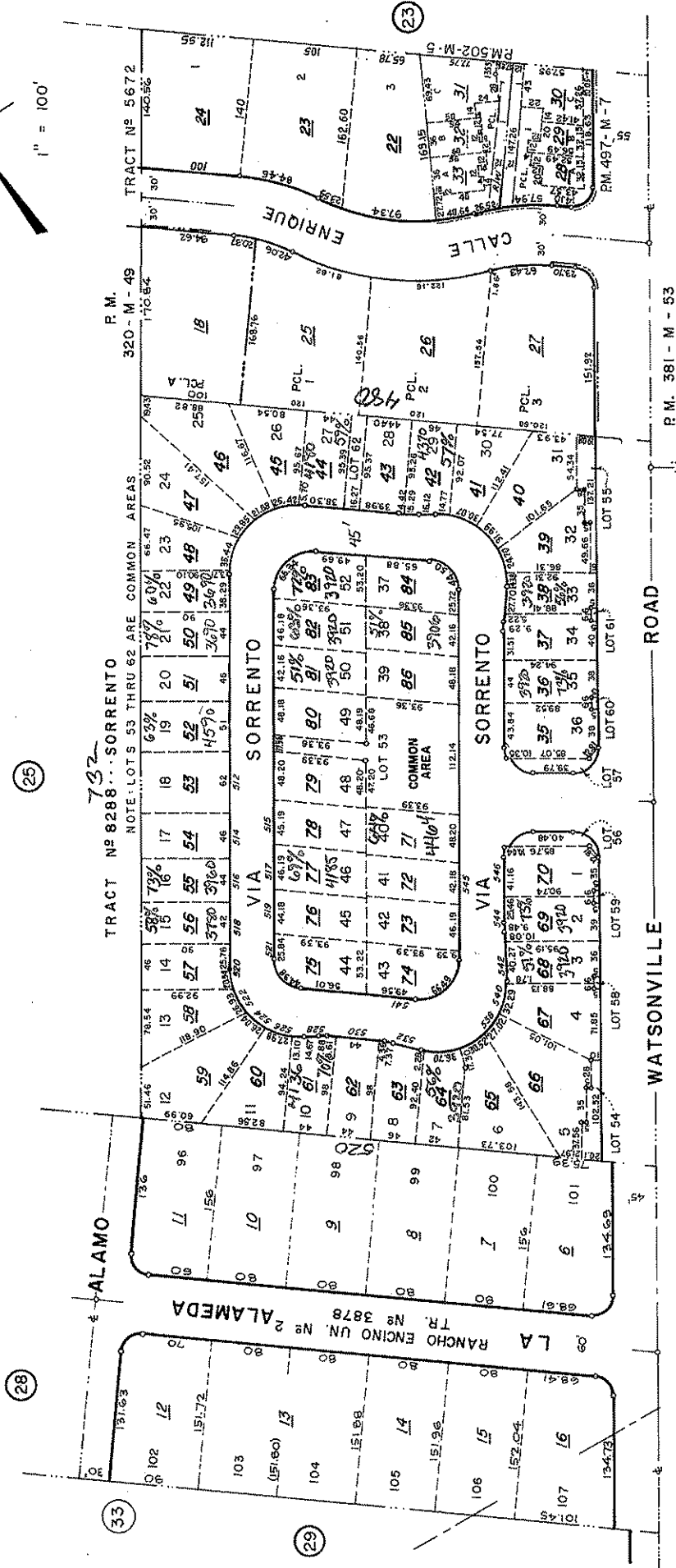
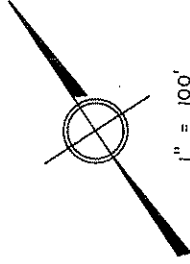


Cottage Green





Village Green



Sorrento

Zoning: R-2 3,500/RPD

Smallest lot: 3690 sq. ft.

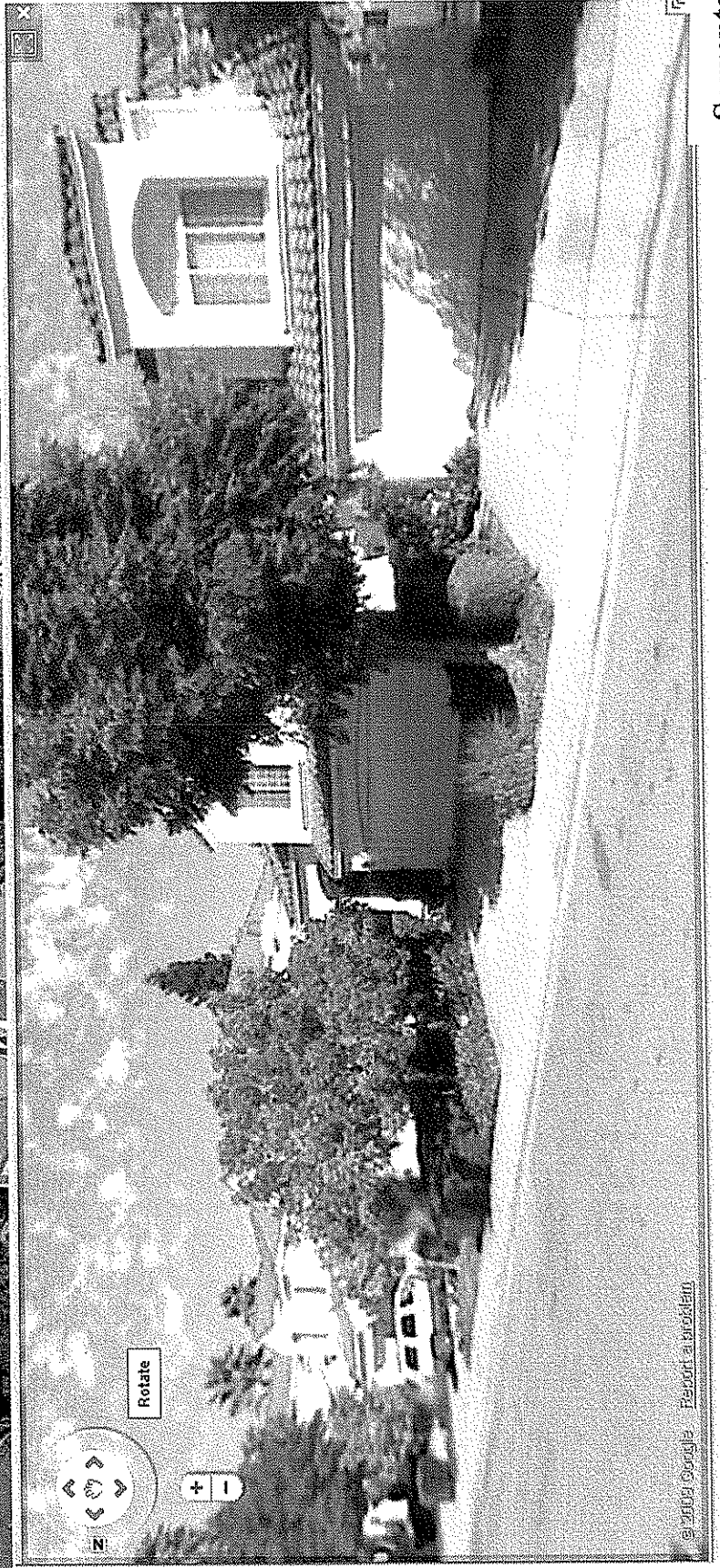
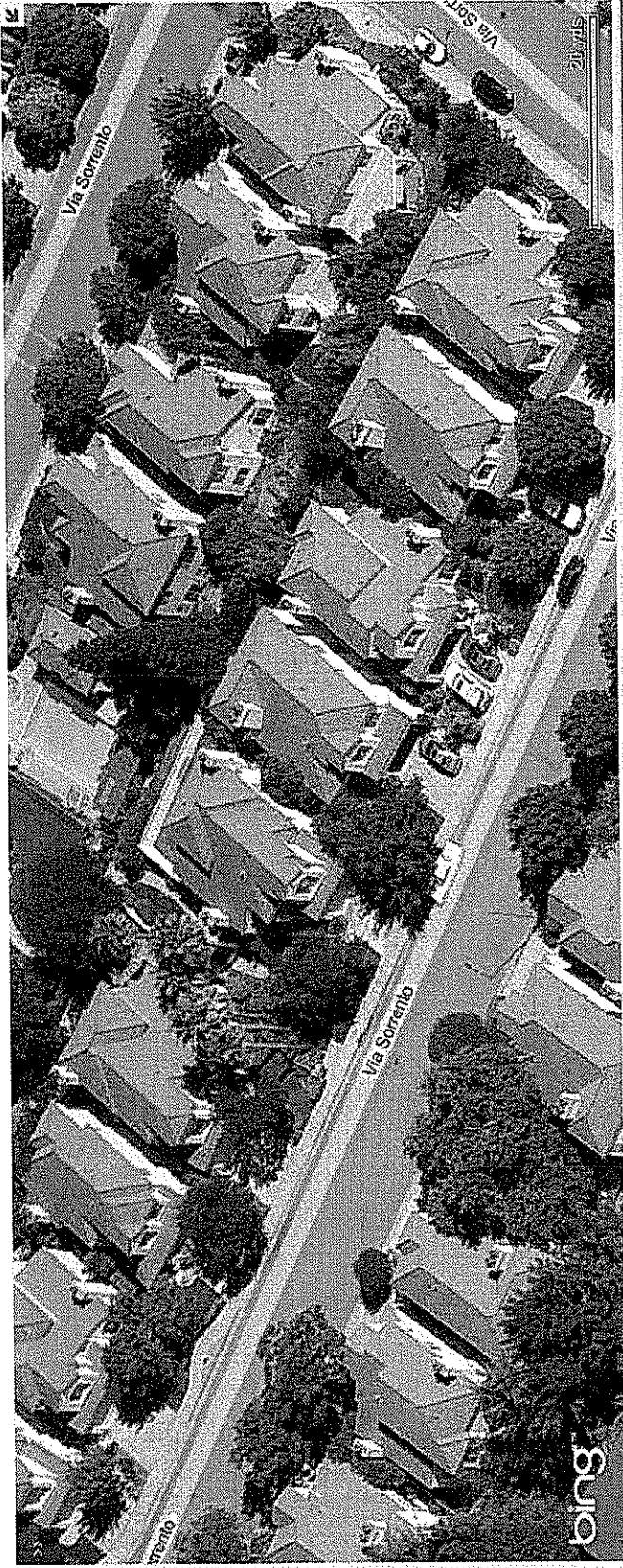
Highest FAR: 78 %

Majority FAR: 63-70%

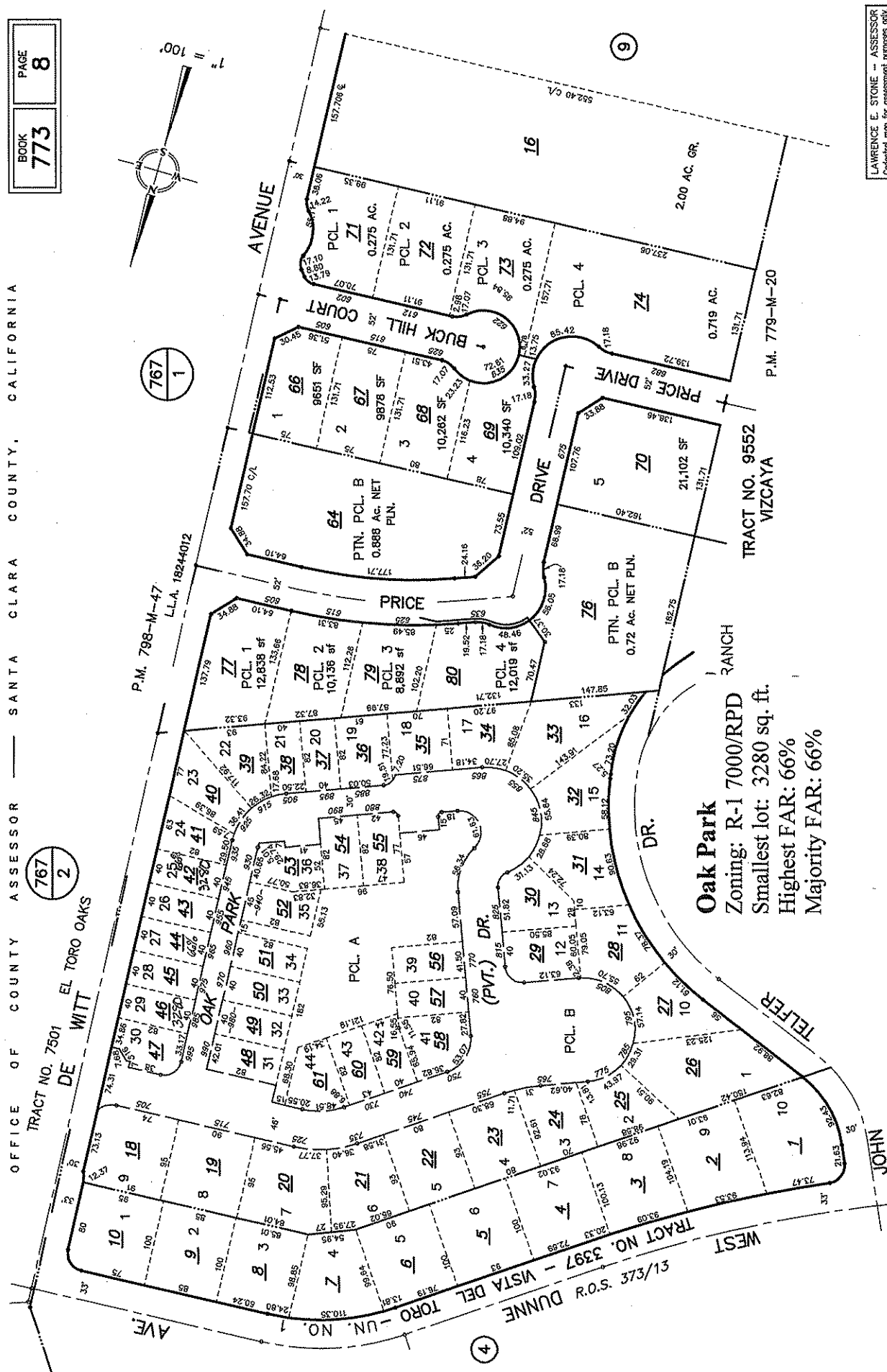


Sorrento





Sorrento



LAWRENCE E. STONE -- ASSESSOR
 Codebook map for assessment purposes only.
 Copyrighted under R. & T. Code, Sec. 327.
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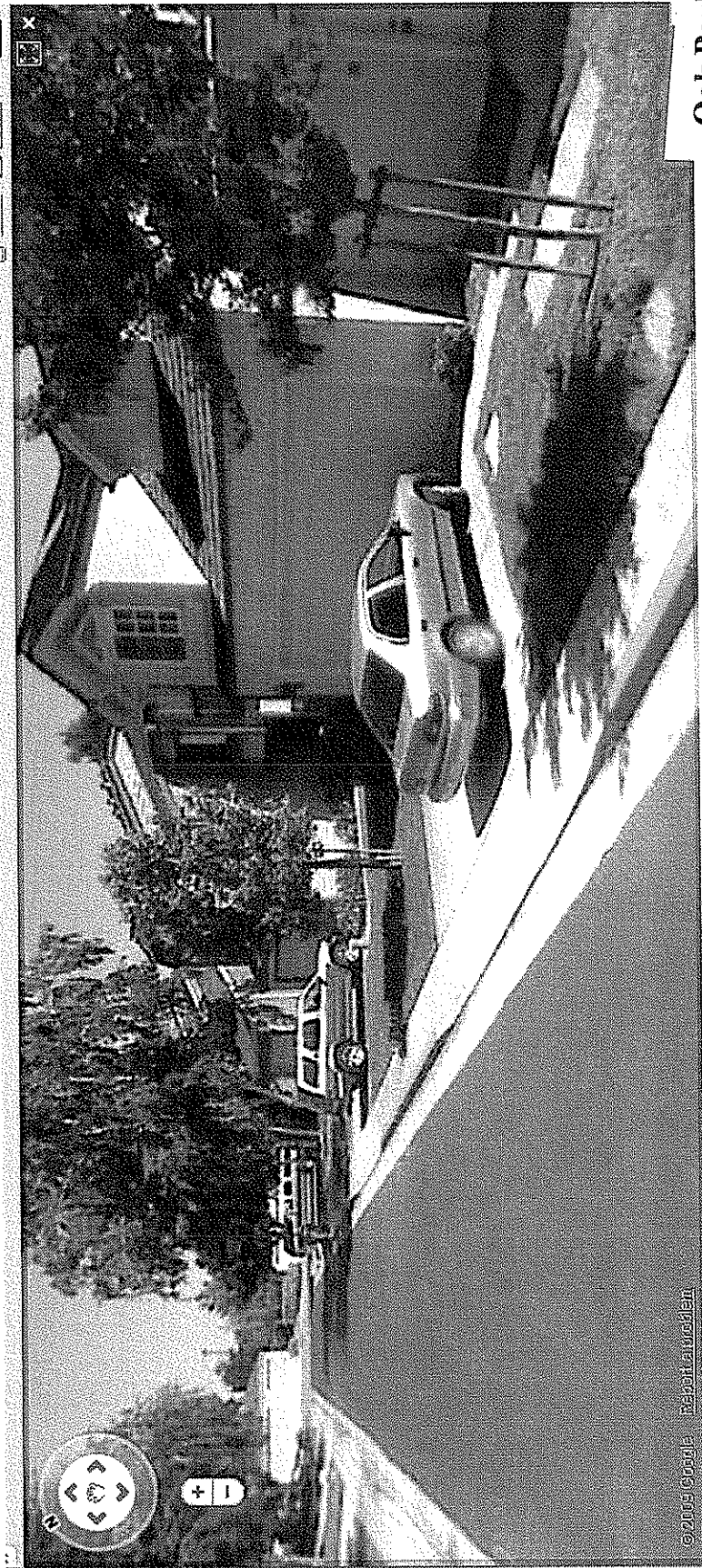


0 20 40 80 120 160
Feet



Oak Park





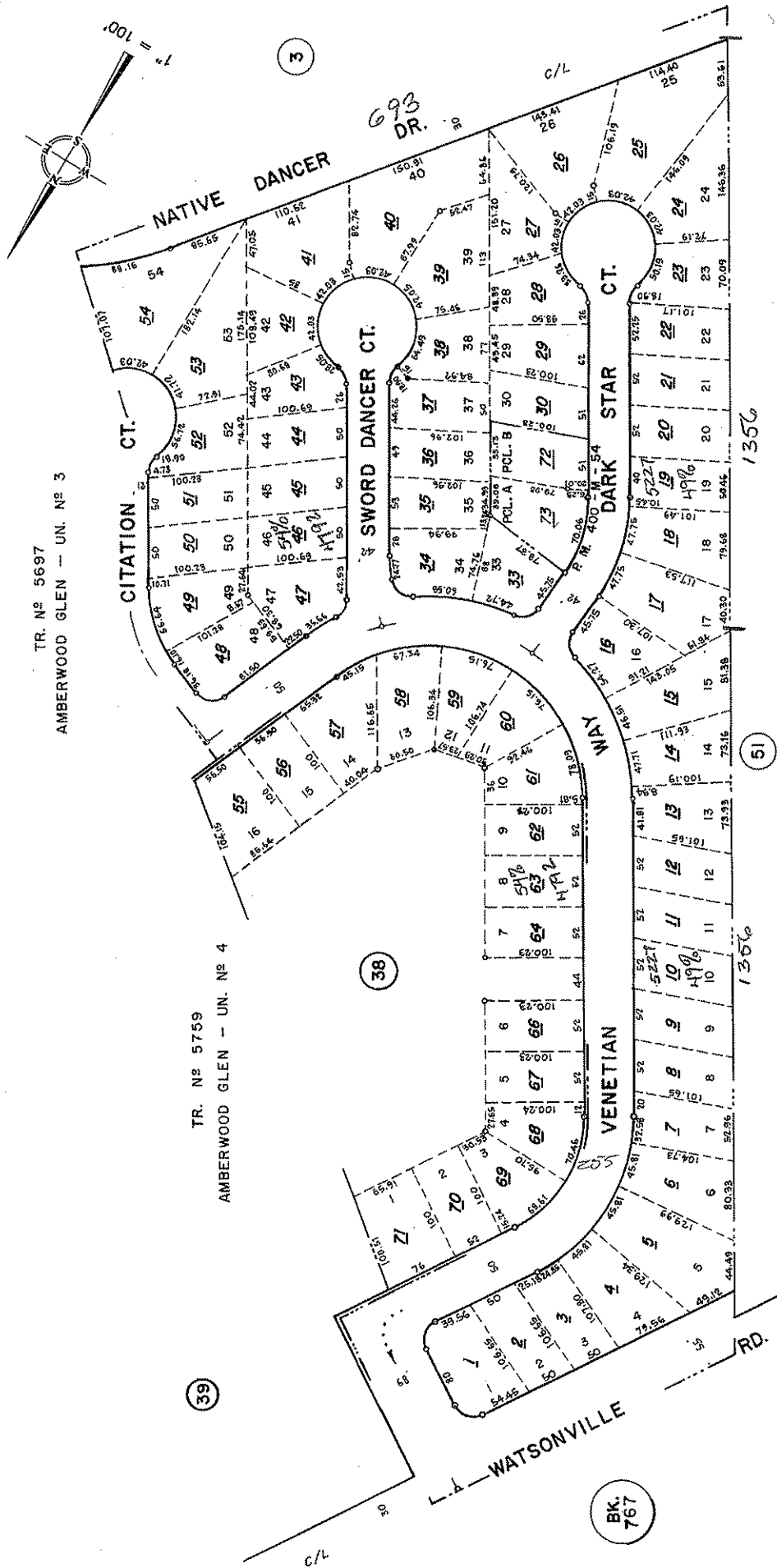
Oak Park

(37)

TR. N^o 5697
AMBERWOOD GLEN — UN. N^o 3

TR. N^o 5759
AMBERWOOD GLEN — UN. N^o 4

(39)



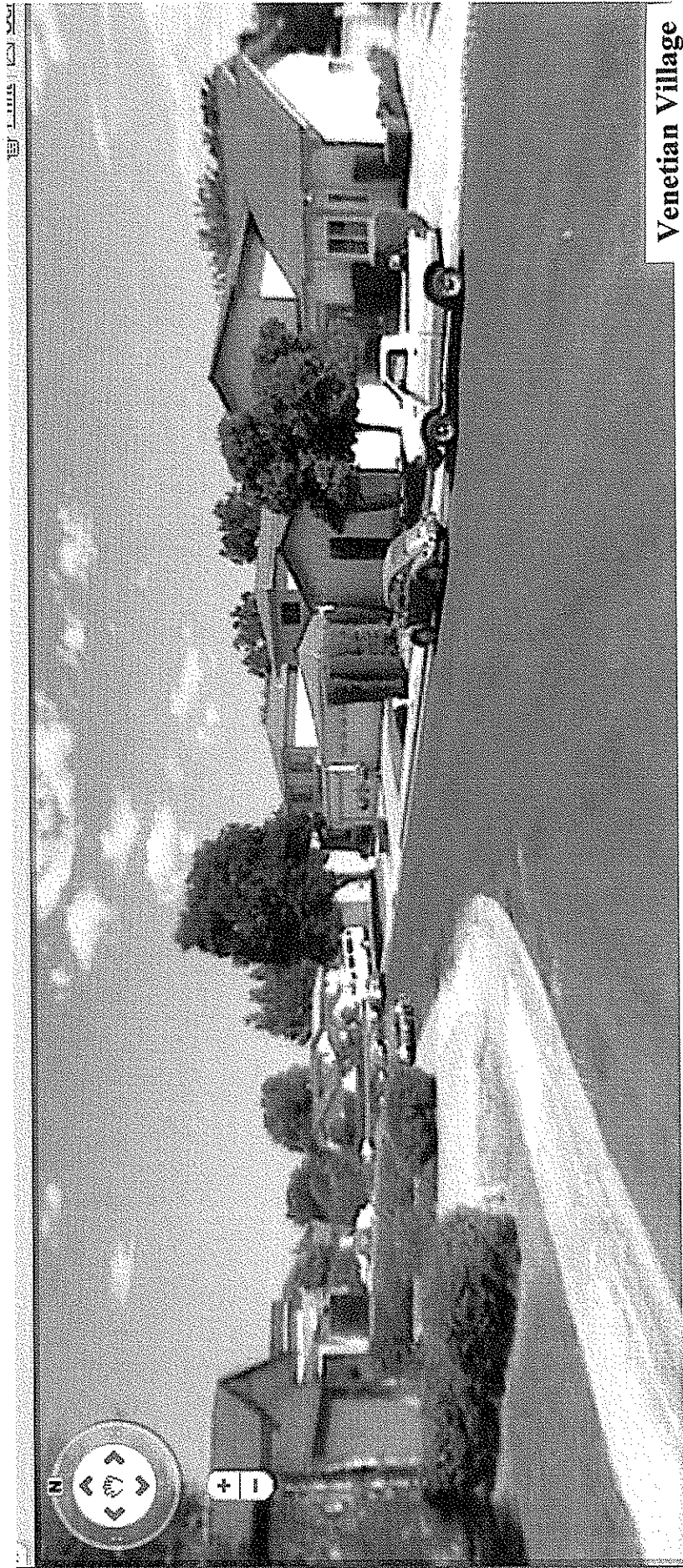
BK.
767

Venetian Village
Zoning: R-1 7000/RPD
Smallest lot: 4792 sq. ft.
Highest FAR: 54 %
Majority FAR: 45-50%



Venetian Village





Venetian Village

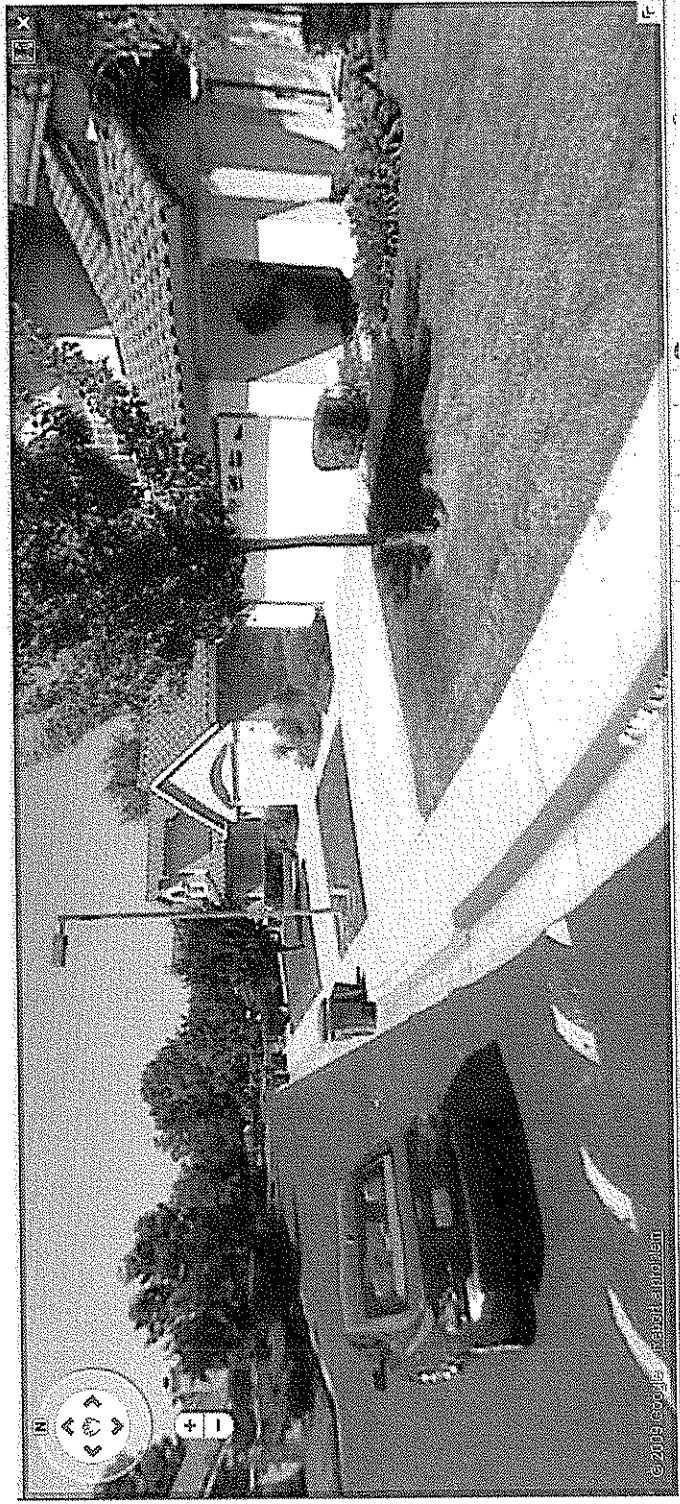
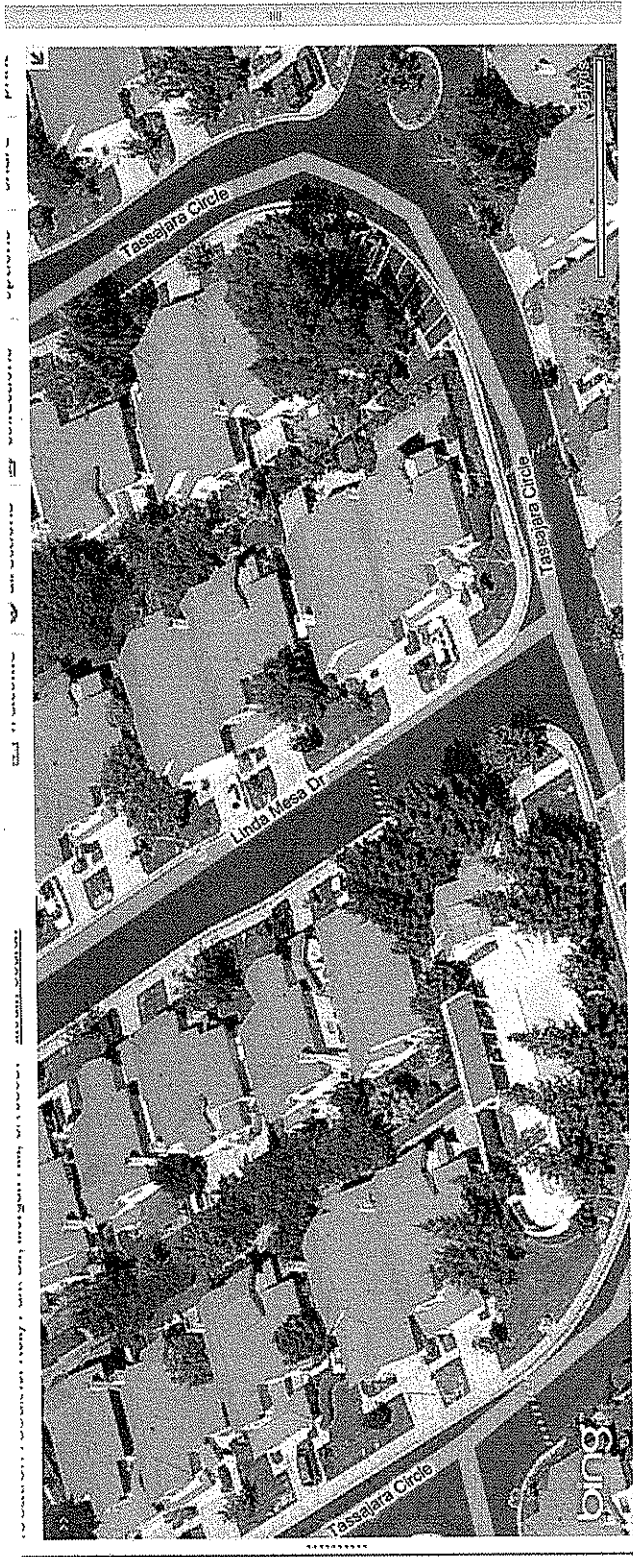


0 55 110 220 330 440
Feet



El Dorado II





El Dorado II



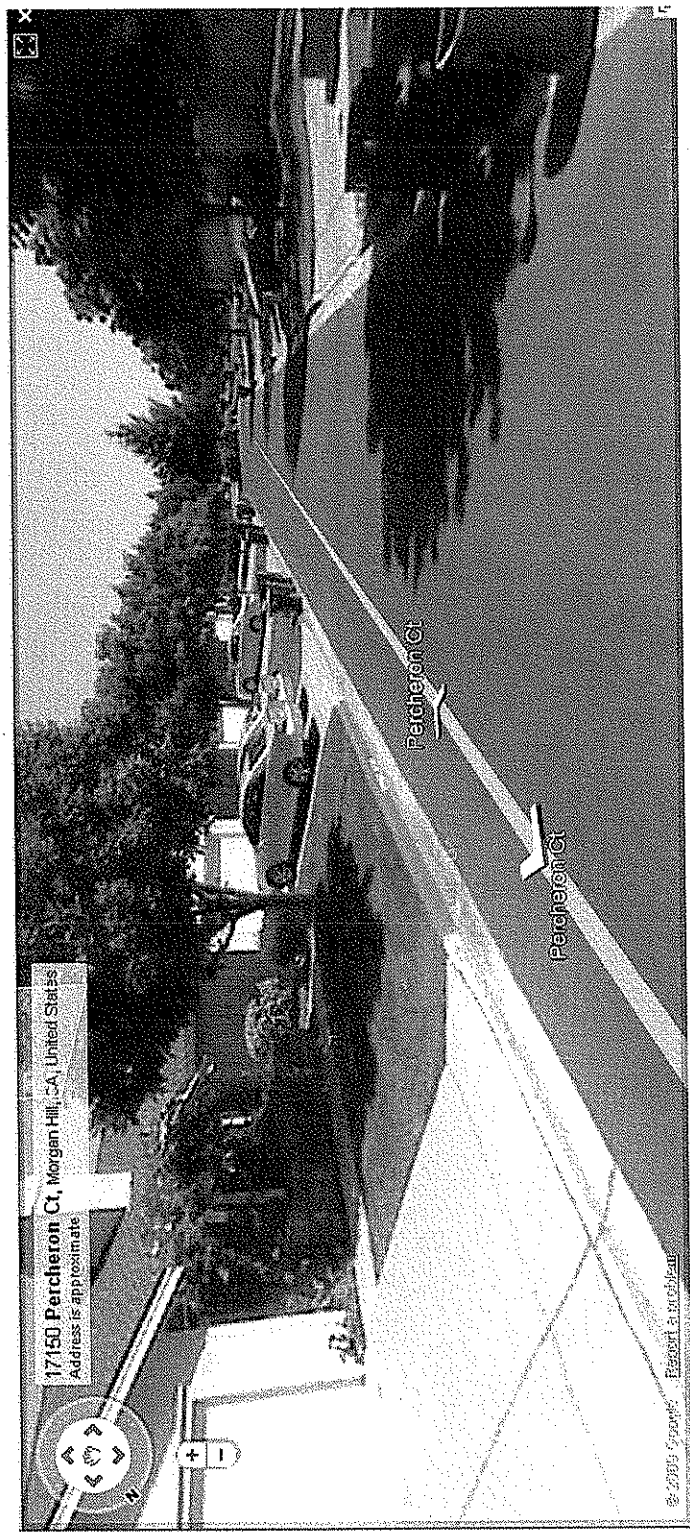
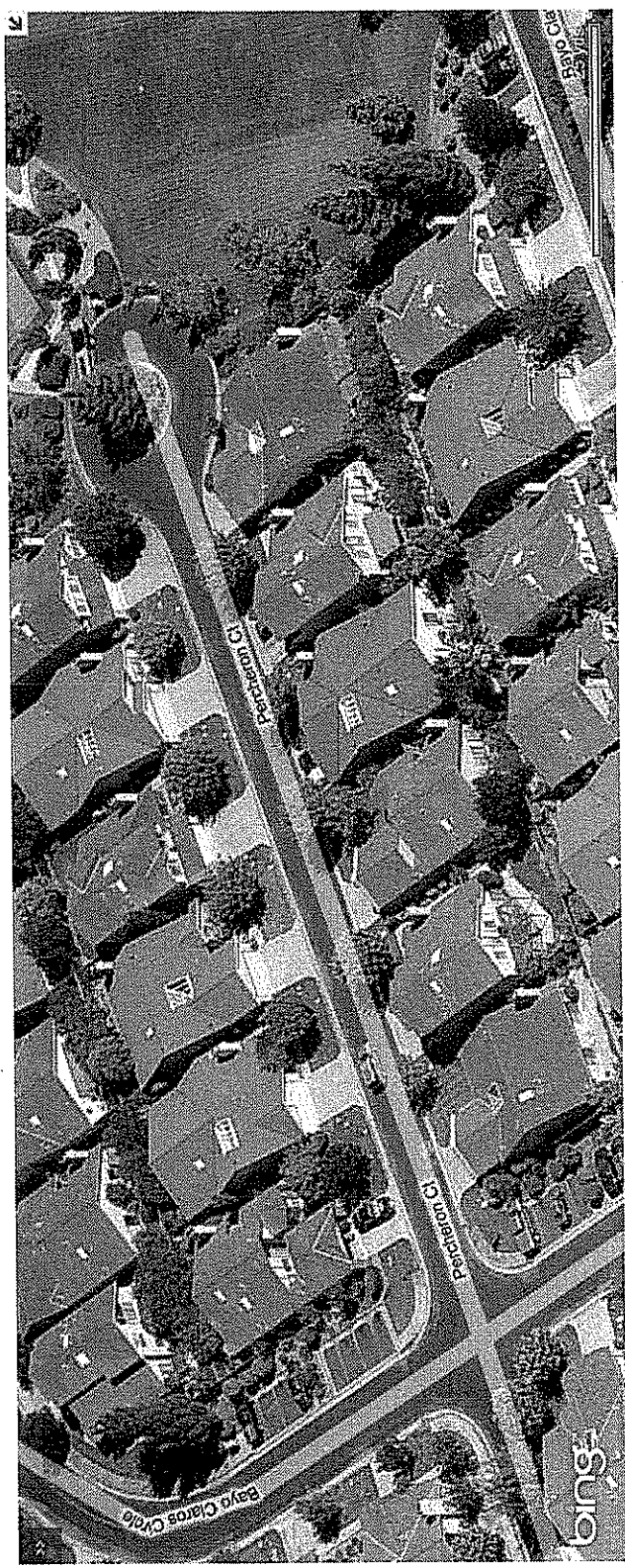
0 55 110 220 330 440 Feet



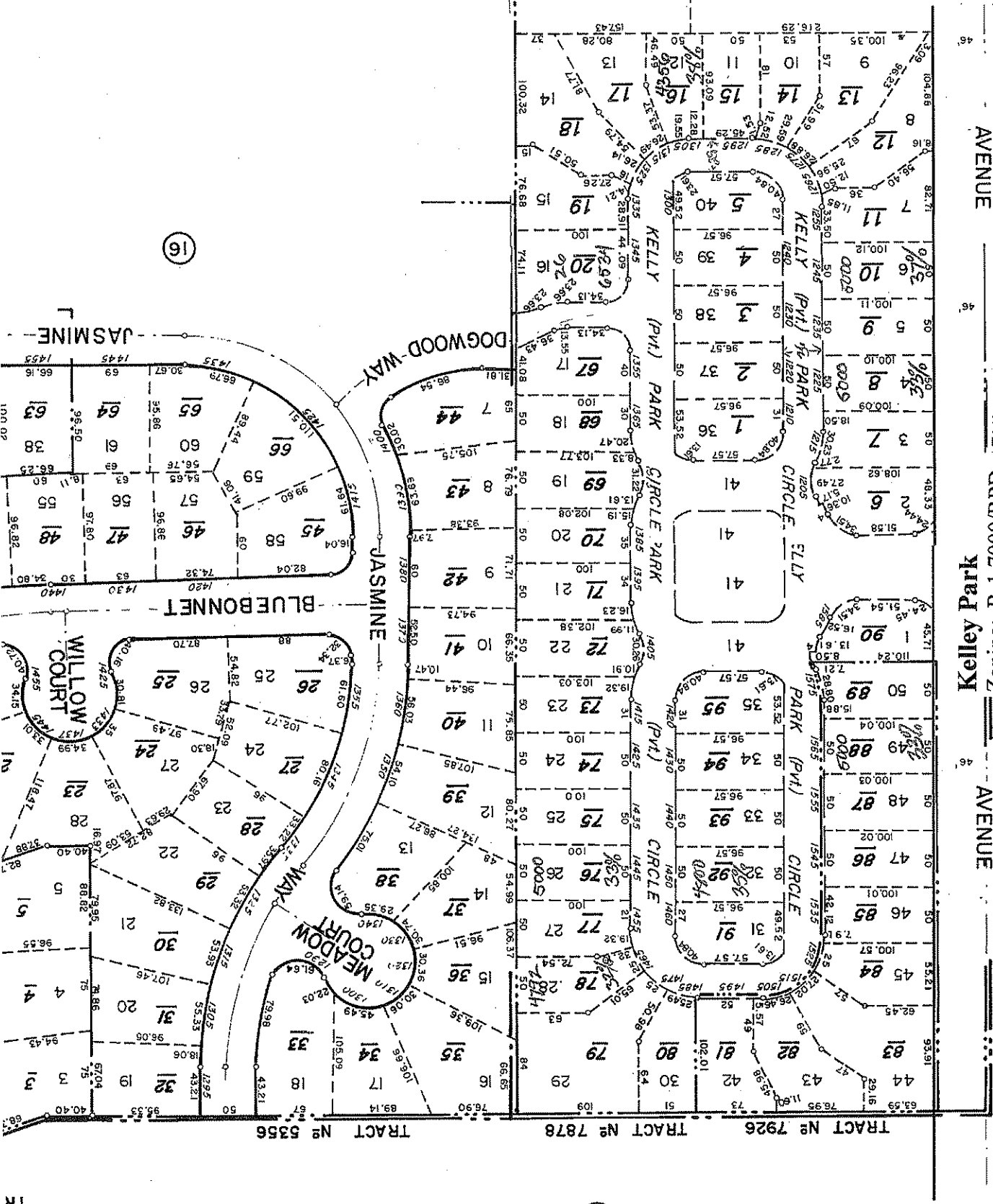
Morgan Ranch



CITY OF MORGAN HILL



Morgan Ranch



AVENUE

Kelley Park

AVENUE

Zoning: R-1 7000/RPD

Smallest lot: 4356 sq. ft.

(Highest FAR: 38%

Majority FAR: 30-33%



0 45 90 180 270 360 Feet

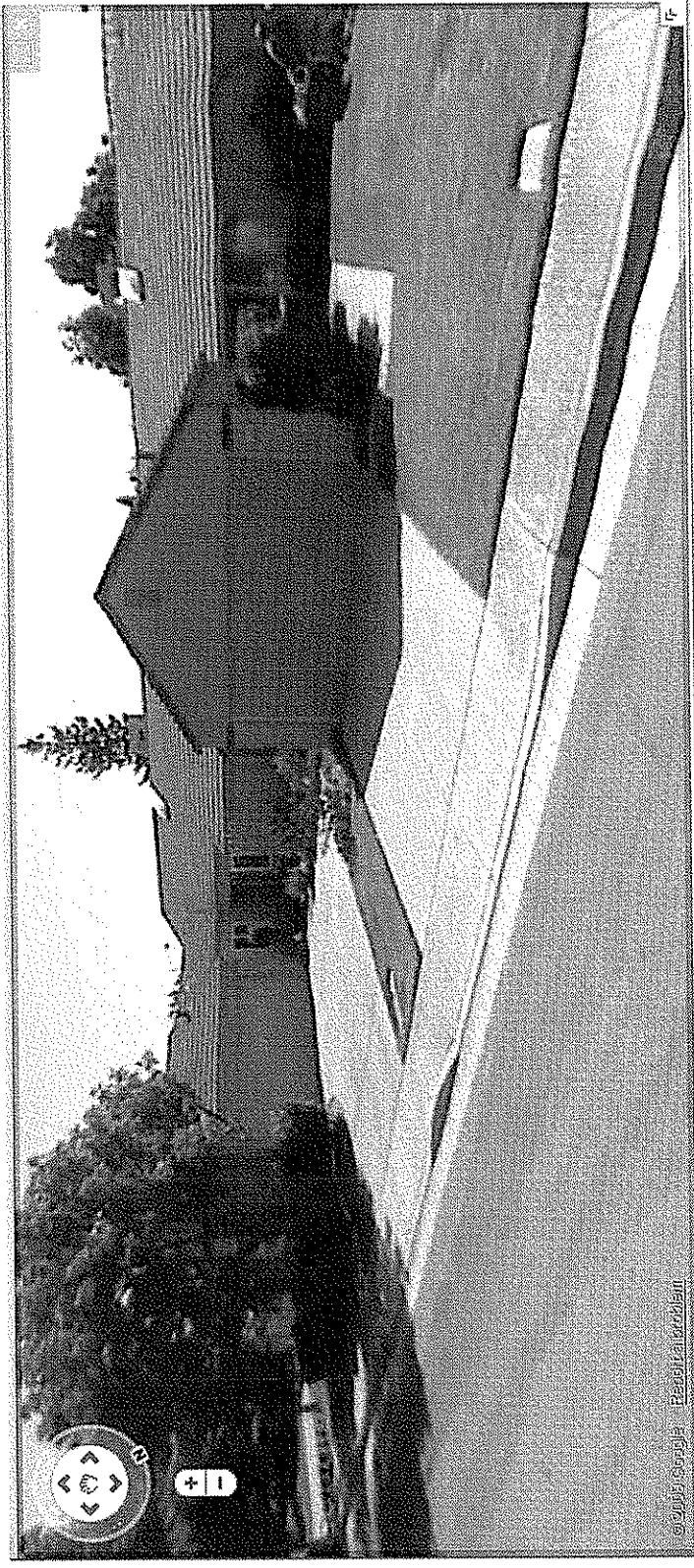


Kelly Park





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MEMORANDUM

To: PLANNING COMMISSION

Date: June 9, 2009

From: COMMUNITY DEVELOPMENT DEPARTMENT

Subject: SUMMER MEETING SCHEDULE

REQUEST

This item has been placed on the agenda to discuss the possible cancellation of the second Planning Commission Meeting in August.

RECOMMENDATION

Discussion/ Commission discretion.

BACKGROUND

In past years, the Planning Commission has often scheduled a summer break by canceling their second meeting in August. Section 2.36.030 of the Municipal Code states that the Planning Commission shall hold regular meetings at least twice each month or as otherwise deemed necessary by the Commission. This provision has been interpreted as giving the Commission the latitude to cancel a meeting when a second meeting in that month was deemed not to be necessary. In addition to canceling an August meeting for vacations, the Commission has adopted a holiday schedule in November and December to avoid scheduling meetings close to Thanksgiving and Christmas.

At this time, no items have been tentatively scheduled for the August 25, 2009 meeting. We have tentatively scheduled a joint Planning Commission and City Council workshop on the Housing Element for the following Tuesday, September 1, 2009. If the August 25 meeting were canceled, applications that would otherwise be scheduled for this date would be moved to the September 8, 2009 meeting.



WORKSHOP AGENDA ITEM #8

MEMORANDUM

To: PLANNING COMMISSION

Date: June 9, 2009

From: COMMUNITY DEVELOPMENT DEPARTMENT

Subject: WORKSHOP TO REVIEW AND DISCUSS DRAFT DOWNTOWN
SPECIFIC PLAN

BACKGROUND AND PURPOSE OF WORKSHOP

As detailed in the attached memo to the City Manager dated January 5, 2007, the effort to plan and implement regulations and activities to support revitalization of downtown has been going on for many years. The Downtown Design Plan was adopted in 2003, many of its policies remain sound, and many of its action items have been completed. However, in 2007, it was determined that a Specific Plan and a Master EIR should be prepared in order to refine and streamline development regulations and review procedures that apply to downtown development. The Parking Strategy also needed to be revised and completed. The Specific Plan is not intended to “re-do” or “re-vision” the community’s vision for downtown, but to provide a reality-based strategy for achieving the Vision contained in the 2003 Plan.

The Downtown Plan update/specific plan process involved the following steps:

- Walking tour and interviews with Downtown property owners
- Community Stakeholder Workshop June 19, 2007
- Downtown Plan Update Process Workshop October 16, 2007
- Downtown Association Board Workshop January 14, 2008
- Community Stakeholder (Plan & Third Street) Workshop January 17, 2008
- Planning Commission Workshop & EIR Scoping January 29, 2008
- Community Stakeholder Workshop February 19, 2008
- Downtown Association Board Workshop March 13, 2008
- Planning Commission Item to Develop Recommendations March 11 & March 18, 2008

The Planning Commission’s March 2008 review of the January 2008 Preliminary Draft Specific Plan focused on those key plan elements that affected the project description for the purpose of preparing the EIR. On March 18, 2008 the Commission forwarded various recommendations to the City Council regarding the content of the Specific Plan, and on April 2, 2008 the City Council considered the Commission’s recommendations and provided final direction regarding the content of the Specific Plan. In July 2008 the Public Review Draft of the Specific Plan was released, and the EIR consultants have been preparing the EIR on the Plan.

The purpose of this meeting is for the Planning Commission to become familiar with and work toward understanding the Public Draft Downtown Specific Plan released in July 2008. Upon adoption, the 2008 Downtown Specific Plan will replace the 2003 Downtown Design Plan and will provide the General Plan land use designations and policies, as well as the zoning map and development standards for downtown.

The Environmental Impact Report (EIR) on the Specific Plan is scheduled for release in June 2009, and a hearing to take comments on the EIR will be scheduled during the 45-day public comment period. Once the Final EIR is completed, the Planning Commission will hold formal public hearings on the Specific Plan and develop its recommendation to the City Council. It is anticipated that the Commission hearing will take place in September and the Council will certify the EIR and adopt the Specific Plan in October 2009.

RECOMMENDATION REGARDING STRUCTURE FOR WORKSHOP

As a proposed structure for the Workshop, staff suggests the following:

1. Review City Council's April 2, 2008 Direction regarding Plan Content
2. Planning Commission Questions about Plan Content
3. Public Input and Questions about Specific Plan
4. Identify and Discuss other "Miscellaneous Plan Modifications" or Suggested Edits to Draft Specific Plan *(consistent with the overall project description of the Plan being evaluated by the EIR)*

The purpose of the March 26th Planning Commission Workshop is to get started on review and understanding of the proposed Specific Plan. It is not necessary to complete the review at the Workshop, and this matter can be scheduled for additional discussion at future workshops and/or public meetings. As previously stated, a Planning Commission hearing to take comments on the Draft EIR will also be scheduled during the 45-day public comment period, during July 2009. Also, once the Final EIR is completed, the Planning Commission will hold formal public hearings (in September) on the Specific Plan and develop its recommendation to the City Council.

ATTACHMENTS

- July 2008 Public Review Draft of Downtown Specific Plan *(previously distributed; also available on city's website)*
- April 2, 2008 Council Direction regarding Content of Draft Downtown Specific Plan
- March 11, 2008 Staff Report to Planning Commission
- January 5, 2007 Memo to City Manager

COUNCIL DIRECTION REGARDING CONTENT OF DRAFT DOWNTOWN SPECIFIC PLAN

(As approved by City Council on April 2, 2008)

RECOMMENDATION #1: Considerations Regarding Retail Market Demand

That the Draft Plan reflect a “net new” retail/restaurant of ~~110,490~~ **93,490** sf within Blocks 1 – 20, reflecting reduction of existing retail on Block 20, with that reduction of existing retail on Block 20 occurring by the 2015 timeframe (73,000 sf of the existing Block 20 ‘shifts’ to downtown core), with public parking space needs calculation to be based on the projected cumulative total commercial space needs within the downtown core area (blocks 1-14).

RECOMMENDATION #2: Ground Floor Commercial Regulations

That Figure 6 be revised to show Ground Floor Zoning Overlay District only, with parcels along Monterey between 4th Street and Main Avenue to require a minimum retail depth of 60 feet, except at all corners of each intersection would require a minimum retail depth of 80 feet; and parcels along Third Street between Depot and Monterey to require a minimum depth of 50 feet, except that all corners of each intersection would require a minimum depth of 80 feet. A diagram showing the red areas showing the basis for the 2030 retail projections will become an explanatory/guideline exhibit rather than a zoning overlay, which shows areas where more than 50, 60 and 80 feet would be strongly encouraged.

RECOMMENDATION #3: 2015 and 2030 Redevelopment Projections

The 2030 redevelopment projection charts and text be revised to remove the “10% margin”; that Block 19 be projected for office mixed use rather than retail mixed use, and that Block 20 be included within the projections for the 2015 redevelopment phase.

RECOMMENDATION #4: Parking Supply Needs, Timing and Locations

Base the parking supply strategy on a 92% occupancy factor for public parking available for both retail and office uses in the Core Blocks 1 – 14 (no on-site parking requirement), based on the revised 2030 Redevelopment Projection. For residential units, require 1.0 spaces on site for units of 600 sf or less, 1.5 spaces on site for units between 601 and 1,350 sf, and 2.0 spaces on site for units of more than 1,350 sf, with no residential guest parking requirement. Use redevelopment funds to acquire and improve public parking spaces so that spaces are available prior to occupancy of new developments, and increase public parking supply by at least 500 parking spaces by 2015. Implement a parking monitoring program to ensure parking is added when occupancies are approaching 92%. Include a proposal for a grade-separated pedestrian crossing over the railroad tracks.

RECOMMENDATION #5: Changes to Preliminary Plan Land Use Recommendations

Revise Figures 4, 5, and 6 to reflect the recommended changes (see staff report and above summary) to General Plan, Zoning and Ground Floor Overlay provisions as detailed for Blocks 1 – 20. Reflect within the discussions of each block the “strongly encouraged”; and “opportunity for” statements as detailed in the March 11, 2008 Planning Commission staff report.

RECOMMENDATION #6: Density, Floor Area Ratio (FAR) and Height

Retain the FARs and height limits as proposed by the Preliminary Draft Specific Plan within the downtown core, as well as the language that would allow for Planned Development (PD) zoning applications to modify FAR, density and height standards, if determined consistent with the intent, goals and policies of the adopted Specific Plan. Include policy language within the Plan that suggests that two key sites that could accommodate greater heights would be on Blocks 3 and 4, between Monterey and Depot. Greater

intensity of development on these large key sites could act as a downtown landmark, without interfering with the predominately 2- and 3- story character desired for development along Monterey Road itself.

RECOMMENDATION #7: Ballot Measure Regarding RDCS Provisions for Downtown

The Council was in favor of a ballot measure, and directed that staff return with analysis of the following option #1, as well as a variant (#2) that did not increase the population cap, and analysis of “no ballot measure/keep RDCS effective downtown” (#3).

Ballot measure allowing for 500 Downtown Core allotments (Main to Dunne, Del Monte to UPRR ROW (Blocks 1 – 14), and an increase in the 2020 population cap by 1,000 (based on 2.0 persons per household reflecting smaller unit sizes) be placed on a future ballot, either by the public or the City Council. Staff would recommend that the allotments are only available for mixed use projects providing ground floor commercial space in accordance with the Specific Plan. Staff recommends that the measure not require a competition or that projects be assessed with regard meeting the RDCS “minimum score”, in that construction of the project with ground floor commercial space within the downtown core would be presumed to provide community benefit.

RECOMMENDATION #8: Downtown Affordable Housing and Housing Element RHNA

The Specific Plan to not include any requirement for provision of deed-restricted affordable housing units, neither for rental nor for-sale units.

RECOMMENDATION #9: Monterey Road

Retain the Specific Plan proposal to narrow Monterey Road from 4 to 2 lanes, and direct the Master Transportation Impact Analysis and Circulation Element Assessment to determine the feasibility of the concept and what roadway improvements are necessary prior to implementation of the narrowing, to shift Monterey traffic to parallel north-south routes. Also, emphasize in the Specific Plan that the lane reduction will be implemented on a temporary trial basis prior to a final commitment to the project.

RECOMMENDATION #10: Plan Boundaries

Retain the existing boundaries, but process and adopt the land use changes that are recommended for Blocks 19 and 20, and the CC-R zoning district, concurrent with the Specific Plan; including analysis by the EIR.

RECOMMENDATION #11: Refinement of Other Zoning District Development Standards and Miscellaneous Plan Modifications

Authorized staff to continue to make plan refinements that would be incorporated into the Revised Draft Downtown Specific Plan, which would be published and available to the public at the same time as the Draft EIR is available for public review and comment in July 2008.

(e.g. more discussion of re-routing Bus Route 68 to shift it from Monterey to Depot; other transit discussion)



MEMORANDUM

To: PLANNING COMMISSION

Date: March 11, 2008

From: COMMUNITY DEVELOPMENT DEPARTMENT

**Subject: DEVELOP RECOMMENDATION TO CITY COUNCIL REGARDING
RECOMMENDED MODIFICATIONS TO PRELIMINARY DRAFT
DOWNTOWN SPECIFIC PLAN**

PURPOSE

The purpose of this meeting is for the Planning Commission to develop recommendations to the City Council regarding how key components of the Preliminary Draft Specific Plan should be modified to become the DRAFT Downtown Specific Plan that is the subject of the Environmental Impact Report (EIR). The Council will consider the recommendations of the Planning Commission and others at its April 2, 2008 meeting, at which time it will provide direction on the Draft Plan "project description" to be studied by the EIR.

The objective at this time is to focus on those key plan elements that affect the assumed project description that is the subject of the EIR. There will be opportunity to continue to make recommendations and refinements to the Plan over the coming months, with the goal of releasing the revised DRAFT Specific Plan by July 2008, along with the Draft EIR.

BACKGROUND

The 2008 Downtown Specific Plan will replace the 2003 Downtown Design Plan and will provide the General Plan land use designations and policies, as well as the zoning map and development standards for downtown.

The Specific Plan is intended to provide a reality-based strategy for achieving the community's vision for downtown as articulated by the Vision Statement developed for the 2003 Plan. The plan update process to date has included analysis of the existing plan, collaboration with business owners, property owners and developers, preparation of a Preliminary Draft, and obtaining public input on the Preliminary Draft at Community and Stakeholder Workshops. The Plan consultant firm of RBF has partnered with Johnston Real Estate Services to provide information and advice on strategies for retail attraction and retention. Parking consultant DKS Consultants has re-drafted the Parking Resources Management Plan to provide a parking strategy for the new Specific Plan.

DISCUSSION

This staff report will provide information and a staff recommendation for each of the various key components of the Plan for which Council direction is needed in order to define the project for EIR analysis. The discussion is also intended to provide responses to a variety of questions and concerns that have been raised by the Planning Commission and public over the past two months that the Preliminary Draft has been available for public review and comment.

1. Considerations regarding Retail Market Demand

Questions have been asked about how much retail space is supportable downtown. Comments have been received that indicate that regulations should be developed to foster a “critical mass” of ground floor space at locations suitable for retail/restaurant uses downtown. Concerns have been expressed about not allowing residential development downtown to take the place of commercial development that makes a downtown “downtown” rather than simply a higher density neighborhood. Concern has been expressed about what would happen if the spaces were constructed but there was insufficient demand by retailers and restaurateurs.

Information about retail market conditions in Morgan Hill is contained in a June 2005 study by Bay Area Economics (BAE) titled “Retail Market Impact Analysis for Proposed Retail Shopping Center in Morgan Hill”. The study documented that within the retail trade area, homeowner rates were high (over 70%), median household income was high (over \$95,000), and that Morgan Hill is well-suited for family-oriented retail geared toward families with moderate to high incomes. The study also documented that Morgan Hill experiences a very low per capita retail sales rate, indicating that residents are shopping elsewhere and sales tax leakage is high. Morgan Hill also had a quite low percentage of restaurants that serve alcohol, 11% rather than the 29% countywide figure, and the study noted that sit-down restaurants and bars may be an under-served niche. The BAE study documented space demand for sit-down restaurants (38,000 sf to year 2010). Chili’s and Red Robin have supplied 25,000 sf of that space, but there is remaining existing and growing demand for sit-down restaurant space. Downtown could be emphasized as the key place for additional restaurants of that type. The study notes that *“as with most downtowns, Downtown Morgan Hill has already changed its market niche as other shopping centers have developed in Morgan Hill, [and is] offering an option for a different kind of shopping/dining/entertainment experience”*.

As of 2005 when the study was done, it was estimated that Morgan Hill could support about 271,000 square feet of additional retail space, with another 107,000 sq. ft. to be supportable by 2010, for a total of 378,000 sq. ft. by 2010. At the conservative rate of 107,000 sq. ft. of additional supportable space every 5 years, the estimated demand is:

2005 Unmet Demand: 271,000 sf

2005–2010 Additional: + 107,000 ⇒ 2010: 378,000 sf total additional supportable from 2005

2010–2015 Additional: + 107,000 ⇒ 2015: 485,000 sf total additional supportable from 2005

2015–2020 Additional: + 107,000 ⇒ 2015: 592,000 sf total additional supportable from 2005

2020–2025 Additional: + 107,000 ⇒ 2015: 699,000 sf total additional supportable from 2005

2025–2030 Additional: + 107,000 ⇒ 2015: 806,000 sf total additional supportable from 2005

The NE Cochrane/101 Morgan Hill shopping center that was approved for about 650,000 total square feet in 2005 has developed about 300,000 sf of that space in Phase One, and to the city’s knowledge the developer is not preparing to activate Phase Two in the near future. Future occupants of that center could include a multiplex theater, large home improvement store, or grocery store, but will most likely be dominated by “power center” national retail tenants in Phase Two, with construction not likely to begin until sufficient tenants commit to leases.

Factors that would argue for a more aggressive scenario and support for a greater amount of retail square footage than shown in the above chart would include such things as double-tracking and increased CalTrain ridership from the downtown station, possible increased city population growth if RDCS is discontinued after Measure C expires in 2020, development of destination/tourist/visitor areas in Morgan Hill which could include an SEQ sports-recreation-leisure regional draw and development of a private high school in the SEQ, and development of other high-profile destination

such as the American Institute of Mathematics (AIM). If the California high-speed rail occurs as an aerial railway in the UPRR right of way, as proposed by the adopted preferred Pacheco alignment, then statewide travelers will gain a view of and knowledge of downtown Morgan Hill as a future tourist opportunity. Revitalization of Downtown Morgan Hill into a unique downtown that attracts visitors and shoppers interested in “lifestyle” shopping, as well as people of all ages who live in new downtown dwelling units, will create support for retailers. A successful downtown will attract also uses and shoppers from other retail areas who are seeking a different and new shopping experience within the “active and unique downtown” niche. The Redevelopment Agency has purchased the Granada Theater and will pursue a project to redevelop and activate the theater use, which will be a draw to downtown. The Redevelopment Agency has made provision of financing for downtown public parking supply a high priority, along with streetscape and other infrastructure improvements to provide a spectacular downtown setting for new developments.

The above discussion could lead one to conclude that downtown Morgan Hill should be redeveloped as quickly as possible, with active involvement of the Redevelopment Agency, so that buildings offering appropriate retail and restaurant spaces are available (along with public parking to serve that space) to “create a downtown that fills the downtown market niche” and absorbs available market demand before that demand is even more fulfilled by traditional sub-regional and community shopping centers elsewhere in the trade area.

The December 2007 Preliminary Draft Plan contained a “2030 Redevelopment Projection”, which presented a possible “net new” square footage of 191,000 of retail/restaurant space by 2030 downtown within Blocks 1 - 18. Page 2-4 of the Preliminary Draft supported redevelopment of Block 20 (“old Albertsons shopping center”) with medium density residential uses to the west and mixed uses to the east of the SCVWD Creek Easement. During public review of the Plan, developers have stated agreement with this concept, and have indicated that a private project could be viable within the 2010-2015 timeframe. Staff has therefore created a projection for Block 20, assuming about 17,000 sf of retail uses along Monterey, and about 90 additional dwelling units on the block, which would be a **net reduction of 73,000 sf of retail**. This change in projections, along with using more specific numbers from Table C-2, removing the “10% Margin” component of the projections (see section 3 below), and projecting office rather than retail space for Block 19 Britton mixed use development (although retail would still be allowed by the zoning), means that the “2030 Redevelopment Projection” would be revised to estimated a potential “net new” square footage of **110,490 of retail/restaurant space by 2030 for Blocks 1 - 20**. To get a sense of how much space that is, it can be compared to the size of the new SuperTarget, which is 124,800 square feet.

The Preliminary Draft Specific Plan emphasizes creation of appropriate spaces for ground floor commercial uses, with that space able to be filled by offices, live/work space, and other uses should retail/restaurant demand be insufficient at the time the space is initially available. This approach addresses the concern about what happens to the space in the interim before market demand is strong enough to absorb all of the space. The idea is that the City requires appropriately-configured spaces as part of mixed use developments, so that when population and “niche success” are achieved, the spaces will be in demand.

RECOMMENDATION #1

Staff recommends that the Draft Plan reflect a “net new” retail/restaurant of 110,490 square feet within Blocks 1 - 20, reflecting reduction of existing retail on Block 20, with public parking space need calculations to be based on the projected cumulative total commercial space needs within the downtown core area (Blocks 1 – 14).

2. Ground Floor Commercial Regulations

Johnson Real Estate Services was not hired to prepare a market study of the extent of supportable retail space in downtown Morgan Hill. Rather, Mr. Johnson's scope included advising RBF and the City regarding market demographics, analysis of business opportunities, and assessment of building prototypes as they pertain to the projected development program. Mr. Johnson has contributed his expertise within the text of the Preliminary Draft Plan, and he has been particularly helpful in advising regarding minimum retail space depths, and key retail locations, that should be developed in order to create a downtown with viable and sufficient retail spaces in the most important locations. He has emphasized that it will be difficult to attract "national retail tenants" to downtown, but that adding residential population in the downtown area, entertainment uses and office workers; along with Redevelopment Agency assistance with parking, infrastructure and "reducing risk", the downtown can become a vibrant, mixed-use, pedestrian-friendly place.

The City has already implemented the 2003 Downtown Plan requirements for ground-floor retail uses along Monterey Road and Third Street, through creation of a Ground Floor Overlay District which applies to the first 70 feet of building depth. Should there be insufficient market demand, a Downtown Administrative Use Permit can be obtained from the City.

Comments have been received, and staff agrees, that Figure 6 on page 2-15 of the Preliminary Draft is confusing. The blue-striped areas along the Monterey and Third Street frontages is intended to show the location of the Ground Floor Overlay District. The red areas are sites where the retail consultant has advised be included in the "reality-based projection" of sites that could redevelop by 2030, and if so, what the recommended range of ground floor retail depths should be. Staff now believes that the two types should be separated, with a revised blue diagram becoming a zoning overlay district, and the red areas serving as guidelines.

RECOMMENDATION #2

Staff recommends that Figure 6 be revised to show Ground Floor Zoning Overlay District only, with parcels along Monterey between 4th Street and Main Avenue to require a minimum retail depth of 60 feet, except that all corners of each intersection would require a minimum retail depth of 80 feet; and parcels along Third Street between Depot and Monterey to require a minimum depth of 50 feet, except that all corners of each intersection would require a minimum depth of 80 feet. A diagram showing the red areas showing the basis for the 2030 retail projections will become an explanatory/guideline exhibit rather than a zoning overlay, which shows areas where more than 50, 60 and 80 feet would be strongly encouraged.

3. 2015 and 2030 Redevelopment Projections

As stated in the Preliminary Draft Plan, city staff and consultants projected the sites most likely to redevelop by 2015 and 2030, based on communications with property owners, condition of buildings, and other factors. The sites selected for the "2015 Redevelopment Projection" have property owners who are actively evaluating and preparing development plans and/or have RDCS allotments. The "2015 Blocks" include Blocks 2, 3, 4, 7, 15, 17 and 18. The sites selected for the "2030 Redevelopment Projection" include the remaining blocks likely to host new development, on Blocks 1, 5, 9, 10, 11, 13, 14, 16 and 19. There is no projected change on Blocks 8 and 12. Block 6 is the Community & Cultural Center, and is not projected for additional development (although it is a potential site for a parking structure over the existing parking lot). Block 18 is the South County Courthouse project; the projection charts do not reflect development because that structure is almost complete and will supply its own parking (79,000 sf offices and 261 parking spaces).

Blocks 19 & 20 are located outside of the downtown plan boundary, but are projected to redevelop to accommodate uses supportive of downtown plan objectives. Block 19 is the Britton site projected to host 27 dwelling units and 25,000 sf office (chart shows retail; to be amended to office). Block 20 projected redevelopment is not yet reflected in the charts, but it is projected that the existing 90,000 sf of commercial and 8 dwelling units will redevelop and be replaced by 17,000 sf of commercial and about 90 residential units. Blocks 19 and 20 would need to supply on-site parking.

The charts in the Appendix also include a “10% Margin” above the development levels projected within Blocks 1 through 18, which is an additional 120 dwelling units, about 25,000 additional retail sf, and about 9,400 additional office square feet. This was done to accommodate the other development that may occur on sites not specifically projected, but within the plan boundaries. If it is instead assumed that projected levels of development on Blocks 1 – 18 are develop at somewhat less intensity than projected, then the excess could also be considered the “flexible” projected square footage that gets developed within the plan boundaries. The staff recommendation is to remove the extra 10% from the projection. In the future, as downtown evolves, additional planning and environmental work can “keep pace” with the evolution.

The point of the above discussion is to explain the methodology and purpose for the “Redevelopment Projections”. The exercise of creating the projections was to define a “realistic order of magnitude” for planning purposes. The projections do not “assign” development potential or limit flexibility of where development may be proposed and approved within the Specific Plan boundaries, if the development is consistent with the land use designation and development standards of the adopted Specific Plan. The projections were made to assist with focusing the ground floor commercial strategy as well as the parking strategy, and to obtain a sense of timing and phasing. Although projections were prepared for both 2015 and 2030 as described above, the 2015 is primarily a guide for assessing how quickly the parking supply must be expanded. It is the intention of the Plan that market forces (and public redevelopment + private partnerships) dictate the actual pace of redevelopment.

The commercial strategy is not intended to simply “respond to and accommodate market demand”, but to indicate where appropriately configured commercial spaces should be located downtown in order to “pull together” and accommodate existing and future space demands, at a level that solidifies the downtown area as a community-sized shopping and activity resource. The average size of a typical community shopping center is about 200,000 sf, but ranges between about 100,000 and 500,000 sf. The amount of retail/restaurant square footage that would exist within Blocks 1 through 20 if development is consistent with the 2030 Redevelopment Projection would be 306,855 square feet, including existing square footage that remains after redevelopment, as well as new square footage in new projects. Additionally, the South County Courthouse and approximately 200,000 sq.ft. of other office/service uses, as well as about 1,400 total dwelling units (existing + future) would be located within the area.

RECOMMENDATION #3

Staff recommends that the 2030 Redevelopment Projection charts and text be revised to remove the “10% Margin”, that Block 19 be projected for office rather than retail mixed use, and that Block 20 be included within the projections.

4. Parking Supply Needs, Timing and Locations

Many comments by business and property owners, Planning Commissioners, and community stakeholders focused on the need to ensure that adequate parking supply is available to the public at

the same time as (or prior to) the time that new buildings are developed and new uses locate downtown. One key comment noted that the calculation of the number of needed spaces was short by 15%, if the goal of the parking program is to supply spaces reflecting 85% occupancy rather than 100%. It is relevant to note that supply based on the 100% occupancy number could be considered a “zoning minimum”, while supply based on the 85% occupancy number could be considered a “desired accessibility” level of parking supply. Another comment questioned whether residential guest parking was included in the recommended 1.5 spaces per dwelling unit.

As previously discussed, the primary purpose of the 2015 Redevelopment Projection was to try to understand a likely pace of downtown redevelopment, so that the pace of constructing additional parking spaces can be managed to ensure that sufficient spaces are added as development occurs. The emphasis of the parking strategy will be on meeting projected 2030 needs based on the 2030 Redevelopment Projection. The premise of the parking strategy is that the Morgan Hill Redevelopment Agency will use its resources to provide parking supply for commercial development, such that private development projects do not need to provide on-site parking for commercial space.

The parking study projected how much parking would be needed by 2030 to meet retail parking requirements within the boundaries of the downtown plan, and also how much additional parking beyond that would be needed to also meet the needs of projected new office space. One of the decisions to be made for the Plan is whether to require office space to provide parking spaces on site, or to have the Redevelopment Agency also endeavor to create sufficient supply to meet both retail and office needs.

The number of additional spaces needed by 2030 for “retail only” is 523 spaces at 100% occupancy and 601 spaces at 85% occupancy; and for “retail + office” an additional 803 spaces are needed at 100% occupancy and 1,097 spaces at 85% occupancy. In order to provide an incentive for and flexibility for use of space for offices, staff supports waiving the on-site parking requirement for offices as well as retail (within the Downtown Core), and provision of public parking supply “in common”. Given the fact that the VTA Caltrain parking lot (476 spaces), South County Courthouse parking lot (261 spaces), and Community and Cultural Center parking lot (232 spaces) are large resources that have not been counted by the Preliminary Draft Plan in the “available common parking supply” calculation, which are likely to be available to the public during peak downtown evening and weekend eating and dining hours, staff recommends that it would be appropriate to plan for something in between 85% and 100%, and proposes use of a 92% occupancy factor for the downtown core to supply both retail and office uses. This results in the need to supply an additional 859 spaces by 2030 (in advance of or concurrent with development).

Based on a specific study of Morgan Hill by the Metropolitan Transportation Commission (MTC) and its own analysis, the parking consultant (DKS) is recommending that residential units provide parking at an overall rate of 1.5 spaces per unit, with no guest parking requirement. This would be a minimum zoning requirement, and private developers could elect to provide more than 1.5 spaces per unit, but the city would allow projects at 1.5 spaces per unit. However, the Preliminary Draft Plan used that rate for all dwelling units, and it may be advisable to modify the requirement for larger and smaller units. In order to ensure sufficient parking and to create a disincentive for 3 and 4 bedroom units downtown, staff suggests that units that exceed 1,350 square feet should be required to provide 2 parking spaces per unit, with no guest parking requirement. A lower requirement could also be supported for small units; for units of 600 sf or less a parking requirement of 1 space per unit is recommended.

There are many opportunities for locating additional parking supply within the downtown core blocks 1 through 14. The City owns Block 6 (CCC) which contains 232 surface parking spaces; that site could be developed with a parking structure which could provide 500 spaces with two levels of parking, and over 700 with 3 levels. The City owns a portion of Block 7, which currently contains 64 spaces and could provide from 120 to 200 spaces with a 2- or 3- level parking structure. The Redevelopment Agency is pursuing a purchase agreement for Block 8 property; that site can provide 100 surface parking spaces in the near term, and 200 or 300 spaces with a 2- or 3-level parking structure. Additionally, some of the large development opportunity sites (e.g. Blocks 3, 4 and perhaps 2) could incorporate underground parking, or even parking structures within block interiors. It can be concluded that there are several publicly-owned sites that can accommodate the required additional 859 spaces of public parking supply, and there are also opportunities for public-private partnerships within redevelopment projects to supply underground or other parking supply resources.

As previously noted, parking resources that are likely to be available to the public but which are not included in the supply projections, include the County Courthouse parking lot, and the public VTA spaces during evenings and weekends, and the Community & Cultural Center spaces when unused by CCC events.

RECOMMENDATION #4

Base the parking supply strategy on a 92% occupancy factor for public parking available for both retail and office uses in the Core Blocks 1 – 14 (no on-site parking requirement), based on the revised 2030 Redevelopment Projection. For residential units, require 1.0 spaces on site for units of 600 sf or less, 1.5 spaces on site for units between 601 and 1,350 sf, and 2.0 spaces on site for units of more than 1,350 sf, with no residential guest parking requirement. Prioritize use of redevelopment funds to acquire and improve public parking spaces so that spaces are available prior to occupancy of new developments, and increase public parking supply by at least 500 parking spaces by 2015.

5. Changes to Preliminary Draft Land Use Recommendations

During the review and comment period for the Preliminary Draft Specific Plan, suggestions for further refinements of the land use plan (Figure 4 General Plan land use designations and Figure 5 Zoning Designations) have been noted. Some refinements to the commercial space strategy (Figure 6) have been discussed earlier in this report; refinements by block are discussed below.

Block 1: GP: Mixed Use. Zoning: CBD. Ground Floor Overlay: The required minimum depth of ground floor commercial is recommended to be 60 feet along Monterey, and 80 feet at each Monterey intersection (therefore minimum 80' x 80' commercial spaces, 6,400 sf, are required on corners)

Block 2: GP: Mixed Use. Zoning: CBD. Ground Floor Overlay: The required minimum depth of ground floor commercial is recommended to be 60 feet along Monterey, and 80 feet at each Monterey intersection (therefore minimum 80' x 80' commercial spaces, 6,400 sf, are required on corners).

Retail spaces on side street locations off East 1st Street and East 2nd Street (shown on Figure 6) are strongly encouraged, with depths of between 80 and 120 feet. Retain/improve Granada Theater as entertainment use. Projected redevelopment site offers potential for parking structure internal to block or underground parking.

Block 3: GP: Mixed Use. Zoning: CBD. Ground Floor Overlay: The required minimum depth of ground floor commercial is recommended to be 60 feet along Monterey, and 60 feet along Third Street, and 80 feet at every intersection of Monterey and Depot (therefore, 80' x 80' commercial spaces, 6,400 sf, are required on all four corners of the block).

Retail spaces on side street locations off East 2nd Street are strongly encouraged with depths of between 80 and 120 feet. Large projected redevelopment site offers potential for underground parking.

Block 4: GP: Mixed Use. Zoning: CBD. Ground Floor Overlay: The required minimum depth of ground floor commercial is recommended to be 60 feet along Monterey, and 60 feet along Third Street, and 80 feet at each Monterey intersection and at the Third/Depot intersection (therefore, 80' x 80' commercial spaces, 6,400 sf, are required on three corners)

Large projected redevelopment site offers potential for underground parking.

Block 5: GP: Mixed Use. Zoning: CBD. Not within GFO district.

Retail spaces along Monterey, and at the intersection of East 4th Street (as shown on Figure 6) are strongly encouraged, with depths of between 50 and 80 feet.

Block 6: GP: Public Facilities (Mixed Use for existing homes). Zoning: PF (CBD for existing homes). Not within GFO.

This block contains the Community & Cultural Center, outdoor amphitheater, Gavilan College building, and Playhouse. The existing surface parking lot containing 232 spaces is a candidate for structured parking which could double or triple the number of spaces available to the public.

Block 7: GP: Mixed Use. Zoning: CBD. Not within GFO district.

Retail spaces along East Main Avenue at Depot Street (as shown on Figure 6) is strongly encouraged, with depths of between 50 and 120 feet. Long-term and visitor secured bicycle parking facilities encouraged at city parking lot. Existing surface parking lot planned for parking structure to increase public supply.

Block 8: GP: Mixed Use. Zoning: CBD. Not within GFO district.

Existing warehouse and existing lumber yard encouraged to be replaced, when property owners desire and agree, with surface and structured parking spaces to increase public supply.

Block 9: GP: Mixed Use. Zoning: CBD. Ground Floor Overlay: The required minimum depth of ground floor commercial is recommended to be 60 feet along Monterey, and 80 feet at each Monterey intersection (therefore, 80' x 80' commercial spaces, 6,400 sf, are required on two corners)

Existing office structure at West 1st Street behind Monterey commercial building may be a candidate for retail use, with public parking behind the structure.

Block 10: GP: Mixed Use & Multifamily Low. Zoning: CBD & R2, RPD. Ground Floor Overlay: The required minimum depth of ground floor commercial is recommended to be 60 feet along Monterey, and 80 feet at each Monterey intersection (therefore, 80' x 80' commercial spaces, 6,400 sf, are required on two corners)

Block 11: GP: Mixed Use & Multifamily Low. Zoning: CBD & R2. Ground Floor Overlay: The required minimum depth of ground floor commercial is recommended to be 60 feet along Monterey, and 80 feet at each Monterey intersection (therefore, 80' x 80' commercial spaces, 6,400 sf, are required on two corners).

Retail spaces on side street locations off East 1st Street and East 2nd Street (shown on Figure 6) are strongly encouraged, with depths of between 80 and 120 feet.

City-owned parcel at Upper Llagas Creek planned for passive park with creek interpretive element, linking to pedestrian/bicycle pathway over steep hill to Del Monte Avenue.

Block 12: GP: Mixed Use & Multifamily Low and Residential Estate. Zoning: CBD & R2 & RE. Ground Floor Overlay: The required minimum depth of ground floor commercial is recommended to be 60 feet along Monterey, and 80 feet at each Monterey intersection (therefore, 80' x 80' commercial spaces, 6,400 sf, are required on two corners)

If property owner pursues a redevelopment project, the existing structure at intersection West 3rd Street and Monterey may be a candidate for restaurant development oriented to Upper Llagas Creek open space corridor.

Block 13: GP: Mixed Use & Multifamily Medium & Residential Estate. Zoning: CBD & R3 & RE. Not within GFO district. The recommended R3 district replaces the current R2 zoning and increases density from the current maximum of 14 units per acre to a recommended density of 21 units per acre.

Existing residential along Monterey at the south of the block may be candidate for restaurant development oriented to Upper Llagas Creek open space corridor.

Block 14: GP: Mixed Use & Multifamily Medium. Zoning: CBD & R3. Not within GFO district. The recommended R3 district replaces the current R2 zoning and increases density from the current maximum of 14 units per acre to a recommended density of 21 units per acre.

Existing development along Monterey is projected to be candidate for redevelopment with offices (about 30,000 sf and residential units).

Block 15: GP: Multifamily High. Zoning: R4. Not within GFO district. This block is the site of an approved housing project containing 134 dwelling units; 99 of which have already obtained RDCS allotments.

Block 16: GP: Multifamily High. Zoning: R4. Not within GFO district. This block is the Caltrain parking lot owned by VTA. VTA has expressed interest in pursuing a Transit-Oriented Development high density residential project (the existing number of Caltrain parking spaces would be retained). Given the site size, a 4 story development would be allowed and 186 dwelling units are projected.

Block 17: GP: Public Facilities. Zoning: PF. Not within GFO district. This block is the site of the South County Courthouse that is scheduled to open at the end of 2008, and is also the planned site of a Fire Station and a pedestrian plaza connection over the railroad tracks to East Third Street.

Block 18: GP: Mixed Use. Zoning: CBD. Not within GFO district.

Staff recommends change in land use from that presented in the Preliminary Draft:

GP: Multifamily Medium & Commercial. Zoning: R3 and CG. No GFO.

Staff recommends a GP designation of Multifamily Medium for the vacant portions of the site and Commercial for parcels that contain existing commercial uses and along Butterfield Blvd. Similarly, the zoning would be R3 for the residential area and CG for the commercial, which would accommodate restaurant, office and other commercial uses. Commercial uses were not projected in the 2030 Redevelopment Projection, and all uses at this location would be required to provide on-site parking.

Block 19: GP: Mixed Use & Public Facility. Zoning: CC-R and PF. Not within GFO district.

Staff recommends change in land use from that presented in the Preliminary Draft:

This block will remain Britton School & ballfields, with the Specific Plan allowing for a mixed use development along Monterey in the area of the tennis courts. Staff recommends changing the projection to reflect 27 dwelling units and 25,000 sf of offices (rather than retail). Retail would be allowed by the zoning, but staff believes it is more realistic to project offices rather than retail at this location.

Block 20: GP: Mixed Use. Zoning: CC-R. Not within GFO district.

Staff recommends change in land use from that presented in the Preliminary Draft:

GP: Multifamily Medium & Mixed Use. Zoning: CC-R. No GFO.

Staff recommends a GP designation of Multifamily Medium for the portions of the site west of the SCVWD creek easement, and Mixed Use for the portion of the site east of the creek easement, along Monterey Road. The 2030 Redevelopment Projection assumes that the existing shopping center site, which contains about 90,000 sf of commercial space and 8 dwelling units, is redeveloped with 17,000 sf of ground floor commercial space fronting Monterey Road, and about 90 units within the redeveloped block.

RECOMMENDATION #5

Revise Figures 4, 5, and 6 to reflect the above-recommended changes to General Plan, Zoning and Ground Floor Overlay provisions as detailed above for Blocks 1 - 20. Also reflect within the discussions of each block the “strongly encouraged” and “opportunity for” statements as detailed in the March 11, 2008 Planning Commission staff report.

6. Density, FAR and Height

Most public comment to date has been supportive of the recommended density increases in the downtown area, which include shifting to a Floor Area Ratio (FAR) approach in a new Central Business District (CBD) zoning district, generally at 2.0 FAR and 3 story height limit, but 2.25

FAR and a 4 story height limit (with 4th floor stepback) for sites of 22,000 sf or larger. While one commenter was skeptical of 4 story heights downtown, other comments have been received that support even greater density/development scale downtown, particularly on the large “landmark” sites. The Preliminary Draft Plan does include a policy statement that PD zoning can be applied for by future developers who propose greater height or more intensive development; this type of project would allow for increased scale, mass and density within downtown core without amendment Specific Plan, if the City Council were to approve the requested PD zoning as being consistent with the intent, goals and policies of the Specific Plan. It should be pointed out that the two key sites that could accommodate greater heights would be on Blocks 3 and 4, between Monterey and Depot. Greater intensity of development on these large key sites could act as a downtown landmark, “pulling” downtown toward a connection with the UPRR ROW and the uses east of the tracks, without interfering with the predominately 2- and 3- story character of development along Monterey Road itself.

One commenter suggested that the CC-R district that applies to areas just outside of the downtown plan boundaries could be increased to more than the proposed 20 units per acre (from the existing 18 units per acre). It should be noted that the text of the CC-R district will need to be revised in conjunction with or to implement the Specific Plan.

RECOMMENDATION #6

Retain the FARs and height limits as proposed by the Preliminary Draft Specific Plan within the downtown core, as well as the language that would allow for Planned Development (PD) zoning applications to modify FAR, density and height standards, if determined consistent with the intent, goals and policies of the adopted Specific Plan. Include policy language within the Plan that suggests that two key sites that could accommodate greater heights would be on Blocks 3 and 4, between Monterey and Depot. Greater intensity of development on these large key sites could act as a downtown landmark, without interfering with the predominately 2- and 3- story character desired for development along Monterey Road itself.

7. Ballot Measure regarding RDCS Provisions for Downtown

The Preliminary Draft Specific Plan recommends placing a measure on the ballot to propose that voters approve modification of the Residential Development Control System (RDCS) to exempt residential units built within the Downtown Specific Plan boundaries if the projects are determined to be consistent with the Specific Plan. Some public comments have been received stating that the development goals of the Plan can be met without modifying the RDCS to exempt downtown, by establishing downtown set-asides and competition categories. While some public input supports waiving downtown from the RDCS, other input emphasizes that RDCS is an integral foundation for land use within the city, and there should be great reluctance and restraint in proposals to modify it.

Currently, the RDCS is set to expire in 2020, and whether the public or the City place a future measure on the ballot to extend it again is an open question. There are many options for the content of a ballot measure, which should be geared only toward the existing 2020 life of the RDCS. Within the proposed boundaries of the Specific Plan (Blocks 1 – 18) there are 278 allotments that have already been allotted, which means that 803 allotments would be needed for the 2030 Redevelopment Projection of 1,081 units within the plan boundaries. There remain 77 unallocated “Measure F allotments”, which reduces that to 726 allotments. That Projection extends through 2030, ten years beyond the current expiration of the RDCS. The 2015 projection is for 355 units within the downtown plan boundaries, but some commenters have stated that this could be too low. Again, the 2015 analysis was done in order to achieve a sense of how soon parking resources would

need to be provided, and is not intended to either delay or cap development at the 2015 projection. In fact, as previously stated, there is a strong argument that downtown should develop a substantial amount of new commercial space and residential units as soon as feasible, in order to establish a new identity and capture retail/restaurant demand.

There are many options for how to structure a ballot measure. One option is to increase the city's 2020 population cap to accommodate the number of projected units desired to be "exempt". Another option is to retain the existing population cap, and allow downtown housing units to be proposed, approved and constructed completely outside of the RDCS system, with ongoing monitoring to calculate the number of allotments that would be made available in competitions for projects not located in downtown. This option would likely reduce development activity outside of the core, which would be particularly opposed by developers of "ongoing projects", and generally opposed by property owners and developers who have been "waiting their turn" to develop. The approach of Measure F was to make allotments available for downtown housing units (100 units) with flexibility for downtown unit construction for previously-allocated as well as Measure F units. The 2020 population cap was not increased. The measure allowed the City Council to decide whether a competition was required, for the first round the Council did require a competition and that any project was still required to attain a "minimum score".

Considering the above, staff suggests that a measure allowing for 500 Downtown allotments, and an increase in the population cap by 1,000 (based on 2.0 persons per household reflecting smaller unit sizes) could be placed on a future ballot. Staff would recommend that the allotments are only available for mixed use projects providing ground floor commercial space in accordance with the Specific Plan. Staff recommends that the measure not require a competition or be assessed with regard to a "minimum score", in that construction of the project with ground floor commercial space within the downtown core would be presumed to provide community benefit.

In order for a measure to be placed on the November 2008 ballot by the voters, ballot measure language would need to be developed and a petition would need to be circulated very soon to obtain signatures supporting a measure, so that by July 2008 the measure would qualify for the ballot. CEQA compliance prior to the November 2008 vote would not be required. If the City of Morgan Hill were to place a measure on the ballot, the ballot measure language and CEQA would need to be completed by early August 2006.

In order for a measure to be placed on the March 2009 ballot, ballot measure language would need to be developed and a petition would need to be circulated by member(s) of the public and filed by September 12, 2008; or the Morgan Hill City Council would need to create a measure language, complete CEQA, and adopt a resolution by October 27, 2008 (no later than November 11th).

RECOMMENDATION #7

Staff recommends that a measure allowing for 500 Downtown Core allotments (Main to Dunne, Del Monte to UPRR ROW (Blocks 1 – 14), and an increase in the 2020 population cap by 1,000 (based on 2.0 persons per household reflecting smaller unit sizes) be placed on a future ballot, either by the public or the City Council. Staff would recommend that the allotments are only available for mixed use projects providing ground floor commercial space in accordance with the Specific Plan. Staff recommends that the measure not require a competition or that projects be assessed with regard meeting the RDCS "minimum score", in that construction of the project with ground floor commercial space within the downtown core would be presumed to provide community benefit.

8. Downtown Affordable Housing and Housing Element RHNA

The current Regional Housing Needs Allocation for Morgan Hill for the 2007 – 2014 period (which must be addressed in a Housing Element update due June 30, 2009) totals 1,329 units, distributed by income level as shown in the following chart. The chart also shows how the State Department of Housing and Community Development (HCD) has related residential density ranges to income levels (Capitola Housing Element, certified 2004), and how Morgan Hill's density ranges fit into income and density categories.

<i>Income Category</i>	<i>RHNA Allocation</i>	<i>HCD Density to Income Correlation</i>	<i>Morgan Hill Zoning District Density Ranges</i>
Very Low (< 50%)	321	> 25 – 35 + units per acre	CBD, R4, some PDs
Low (< 80%)	257	> 15 – 25 units per acre	CC-R, CL-R, R3
Moderate (< 120%)	248	> 10 – 15 units per acre	R2
Above Moderate (> 120%)	508	< 5 – 10 units per acre	R1, RE

2007 area median income is estimated to be \$105,000 for a 4-person family. HCD published 2007 income limits by household size, consistent with HUD methodologies, as follows:

Number of Persons In Household:		1	2	3	4	5	6	7	8
Adjustments:		70%	80%	90%	Base	108%	116%	124%	132%
Santa Clara County Area Median Income: \$105,000	Extreme Low	22,300	25,500	28,650	31,850	34,400	36,950	39,500	42,050
	Very Low	37,150	42,450	47,750	53,050	57,300	61,550	65,800	70,050
	Lower	59,400	67,900	76,400	84,900	91,650	98,450	105,250	112,050
	Median	73,900	84,400	95,000	105,500	113,900	122,400	130,800	139,300
	Moderate	88,600	101,300	113,900	126,600	136,700	146,900	157,000	167,100
	Above Moderate:	above the moderate income levels by household size							

The new CBD district proposed a general FAR of 2.0, with no density limit. An FAR of 2.25 is proposed for sites of 22,000 sf or more. Residential density levels within this FAR will depend on unit sizes as well as whether commercial uses locate on second or third floors, or whether all upper floors are residential. Projected residential density levels within the FAR district are between 25 and 45 units an acre, and densities could reach up to 60 units or more per acre on the larger sites. Occupancy of the units by rental households would tend to increase the likelihood that the households are very low, lower and moderate income households.

The existing R4 district allows between 25 and 40 units per acre. PD zoning provisions allow owners and developers to modify development standards, which could include increases in density.

The CC-R district is recommended to increase from the existing maximum 18 units per acre to 20 units per acre. The existing CL-R (Light Commercial-Residential District along Upper and Lower Monterey Road areas) allow a maximum of 18 units per acre.

All zoning districts are eligible for density bonuses for provision of deed-restricted affordable units.

The above analysis demonstrates that downtown housing units have the potential to meet some of the city's RHNA for very low, low and moderate income units, even if they are not deed restricted units available only to income-qualified households. The potential will be enhanced if units are available to renters rather than owner-occupants. If one-half of the 2030 projected 681 units within Blocks 1 – 14 are occupied by renters, that would be 340 units, which is almost 60% of the total very low and low income RHNA of 578 units. Renters downtown would be expected to include lower income young single persons, older persons no longer in the workforce, empty nesters, and so

forth. In order to create an incentive for rental housing and recognize its likely occupancy by households at or below moderate income, a requirement for deed-restricted affordable units is not recommended. However, in order to ensure that downtown housing production is consistent with California Redevelopment Law intent and requirements that 15% of housing units within project areas be available to persons at or below moderate income, staff recommends that a 15% inclusionary housing requirement apply to for-sale housing projects, with ongoing deed restrictions.

RECOMMENDATION #8

Modify affordable housing requirements for downtown core projects (RDCS and any inclusionary housing requirements adopted in the future) so that rental unit projects are exempt from the requirements, but that 15% of owner-occupied, for-sale housing units must be affordable to households at or below moderate income, with those units to be deed-restricted.

9. Monterey Road

The Preliminary Draft Specific Plan proposes (as did the 2003 Plan) narrowing Monterey Road from the existing four lanes, to two vehicular lanes. This proposal is currently being studied by the Master Transportation Impact Analysis, with results to be presented in the EIR on the Downtown Plan. In that the Redevelopment Agency will be pursuing completion of the Butterfield Blvd North and South Connections, as well as the Santa Teresa-Hale Corridor, it may be feasible to shift one lane in each north/south direction to those alternative north-south parallel routes. The advantages of having only two vehicular lanes downtown are that the street becomes much more pedestrian-friendly, and people rather than cars are the focus of the Monterey right of way. Options for use of the public right-of-way include further widening of sidewalks, addition of bike lanes (or use of sharrows), and/or construction of angled parking to increase on-street supply. With only two travel lanes, the median would not be necessary, and pedestrians would have only a short distance to cross the street. If determined to be feasible and if the two-lane proposal is adopted, a future streetscape planning process would occur, with public participation, to decide on the use of the right-of-way.

Most comments to date support this concept, but many people have commented that it should be implemented on a temporary trial basis prior to a final decision to implement the project. The EIR that is scheduled to be released in July 2008 will contain the information regarding feasibility.

RECOMMENDATION #9

Retain the Specific Plan proposal to narrow Monterey Road from 4 to 2 lanes, and direct the Master Transportation Impact Analysis and Circulation Element Assessment to determine the feasibility of the concept and what roadway improvements are necessary prior to implementation of the narrowing, to shift Monterey traffic to parallel north-south routes. Also, emphasize in the Specific Plan that the lane reduction will be implemented on a temporary trial basis prior to a final commitment to the project.

10. Plan Boundaries

The 2003 Downtown Plan boundaries extended from Dunne to Main, and from Del Monte to Butterfield. The boundaries in the Preliminary Draft match the 2003 boundaries. Both the 2003 Plan and the 2008 Specific Plan include recommendations for land use changes outside of the boundaries. To implement 2003 Plan recommendations a new CC-R (Central Commercial-Residential) zoning district was established within the downtown core as well as on blocks outside of the plan boundaries, and a new CL-R (Light Commercial-Residential) was established on Upper and Lower Monterey Road parcels. In 2004/05 the City Council adopted a "Downtown RDCS"

boundary that extended further north and south: generally to West Central along the north and Biscelgia to the south, which was used to define the downtown RDCS competition boundaries for 2004/05.

The proposed 2008 Specific Plan includes recommendations for Blocks 19 and 20 outside of the plan boundaries, and some comments have been received that those blocks (and perhaps others) should be included within the Specific Plan boundaries. Staff recommends retaining the existing boundaries, but processing and adopting the land use changes that are recommended for Blocks 19 and 20, including for the CC-R zoning district, concurrent with the Specific Plan, including analysis by the EIR. The reasons for NOT extending the boundaries to include Blocks 19 and 20 and others, is that those blocks will be required to provide all required parking on site, and that the recommended ballot measure to waive the RDCS competition for projects within the plan boundaries is intended to provide an incentive for downtown core development of mixed use projects, rather than for the “supportive” blocks.

RECOMMENDATION #10

Staff recommends retaining the existing boundaries, but processing and adopting the land use changes that are recommended for Blocks 19 and 20, and the CC-R zoning district, concurrent with the Specific Plan; including analysis by the EIR.

11. Refinement of Other Zoning District Development Standards and Miscellaneous Plan Modifications

Comments have been received about the need to refine development standards in the various zoning districts that apply to downtown and are contained with the Specific Plan. There is also a need to cross-reference and/or address which other Municipal Code and Zoning Ordinance chapters continue to be in effect for downtown developments. Staff agrees that these should be thoroughly reviewed for appropriateness within the downtown context. In that density itself would not be modified, the EIR work can proceed without total clarity about each of these refinements, and staff would propose to continue to work on those items through June 2008, with the goal of publishing the revised Draft Specific Plan along with the Draft EIR in July.

Comments have also been received about the need to strongly support shift of the bus route from Monterey to Depot, include more regarding multi-modal transportation, to address the potential for the California High Speed Rail Project to go through downtown in the future, and so forth.

RECOMMENDATION #11

Staff recommends that the Planning Commission support and the City Council authorize staff to continue to make plan refinements that would be incorporated into the revised Draft Downtown Specific Plan, which would be published and available to the public at the same time as the Draft EIR is available for public review and comment in July 2008.

A summary of staff recommendations is presented on the following two pages.



Memorandum

Date: JANUARY 5, 2007

To: ED TEWES, CITY MANAGER

From: BUILDING ASSISTANCE AND HOUSING SERVICES DEPARTMENT
COMMUNITY DEVELOPMENT DEPARTMENT

Subject: DOWNTOWN PLANNING HISTORY

In response to your request, the following summarizes the history of downtown planning and zoning changes that have occurred, as well as activities in which the City has been involved in an effort to stimulate the type of development envisioned in the Downtown Plan.

1980 Downtown Design Plan. The Downtown Design Plan, which was adopted in July 1980, outlined a series of actions to assist with the revitalization of the downtown area. Prior to the development of Highway 101, Monterey Road was the major north/south roadway through the City. One of the challenges for the plan was to create a more pedestrian oriented scale on this 110 foot wide street. In addition, the plan also included design guidelines, sign criteria, suggestions for landscaping, street furniture and a cost estimate to implement the proposed public improvements. In response to recommendations contained in the original Downtown Plan, during the 1980's and early 1990's, the Redevelopment Agency invested over four million dollars in streetscape and parking improvements. These improvements included brick-paver sidewalks, crosswalks, and raised planters, new curb and gutter, street trees, trash receptacles, and decorative lighting. Because the streetscape improvements resulted in the loss of some street parking, the Agency developed several off-street public parking lots. One of the lots is owned by the Agency, while others are leased from individual property owners. The Agency also developed a 64-space Caltrain park-and-ride lot and a small train depot building to house a concession stand.

2003 Downtown Plan Update. The Downtown Plan was updated in 2003 with the assistance of a 17 member task force comprised of a diverse group of stakeholders and community advocates. Membership included property and business owners, as well as residents of downtown, affordable housing advocates, members of the Planning Commission, Bicycle and Trails Advisory Committee, City Council and Redevelopment Agency members, local architects, representatives of the Chamber of Commerce and the Morgan Hill Downtown Association, housing and commercial developers, and a commercial real estate broker.

Since completion of the Downtown Plan update, the City has made significant progress in implementing its recommendations. Some of the more notable achievements include the following:

- **Density.** A majority of the downtown is within the Mixed Use General Plan designation and is zoned Central Commercial, Residential District (CC-R), which allows housing as a permitted use at a rate of one dwelling per 2,400 square feet of lot area (a maximum density of 18 units per acre). Pursuant to the Downtown Plan recommendations, the City has changed the General Plan designation on three mixed use opportunity sites to allow a density range of 25-40 units per acre. Additionally, two other sites were redesignated/rezoned from commercial and industrial uses to mixed-use and multi-family residential-high density to allow additional residential uses in close proximity to the commuter rail station.
- **Measure C Modifications.** The RDCS criteria has been significantly overhauled to allow downtown and small vertical mixed use projects to better compete for allocations. Last year's competition was held only for downtown projects with allocations extended into fiscal year 09/10. Over the past two years, nine projects with a total of 363 units have received allocations either within or in close proximity to the downtown. It should be noted that ground floor commercial space within these projects total approximately 57,000 square feet.

Measure F. Last November, voters approved a ballot measure (which modified RDCS) to allocate 100 additional units for projects of 25 units or less in the downtown core (defined as the area bordered by Main Street to the north, the railroad tracks to the east, Dunne Avenue to the south and Del Monte Avenue to the west). The measure also allows projects with allocations spread out over multiple years to advance the timing of construction.

- **Ground Floor Use Restrictions.** One of the policies of the 2003 Downtown Plan is to encourage retail, restaurant, entertainment, and service commercial businesses on portions of Monterey Road and Third Street in an effort to enhance the pedestrian character of downtown. Accordingly, in 2004 the CC-R zoning district was amended to restrict certain non-retail uses in ground floor locations. In particular, office and personal service uses became conditionally permitted requiring a Conditional Use Permit (CUP). Shortly after these code amendments went into effect, building owners and potential tenants expressed frustration at the time and expense required to comply with the CUP requirement for certain buildings and locations downtown.

In the fall of 2005, the City Council adopted code amendments which streamlined the process for conditional uses in the CC-R District by establishing a Downtown Administrative Use Permit process. Following approval of the ordinances, the Council directed staff to work with the Downtown Association on some follow-up amendments that would focus the "ground floor retail restricted area" to the area between Main and Dunne, excluding certain buildings that were designed for office use. This was accomplished in November of 2006 through the creation of a Ground Floor Overlay District that applies to portions of Monterey Road and Third Street. This new district encourages retail, restaurant and entertainment uses and discourages office and non-retail uses. It is also worthy to note that 64 properties located to the north and south of downtown were recently rezoned to Light Commercial-Residential (CL-R), which include office and other non-retail uses as principally permitted. This should help to alleviate some of the demand for retail space by non-retail uses in the downtown core.

- **Infrastructure.** The Downtown Plan calls for Depot Street to be improved with landscaping and enhanced sidewalks to serve as a strong pedestrian link between the commuter rail station and the Community Center to the south; and residential areas to the north. Similarly, the Downtown Plan calls for Third Street to provide a direct link between Depot Street/commuter rail station and Monterey Road.

In 2004, the City received a \$2.6 million grant from the Metropolitan Transportation Commission (MTC) for the Depot Street project consisting of new pavement, curb and gutter, sidewalks, decorative street lights, benches, public art, landscaping, and storm drain improvements along this five block downtown street. The project is currently under construction and is expected to be completed in early 2007.

The City recently received a \$1.7 million grant from MTC for the Third Street Promenade project consisting of new pavement, curb and gutter, wide colored concrete sidewalks with matching crosswalks at intersections and a mid-block crossing, removable bollards for street closures, pedestrian scaled street lighting with banner hardware, decorative planters and large canopy street trees, and street furniture. The required city match is \$325,000. A timeline for construction will be finalized following receipt of grant funding deadlines from MTC.

The City has also installed some traffic calming measures in downtown.

- **Parking.** The Downtown Plan calls for changing parking requirements in order to stimulate development in the downtown area. The suggested changes were to eliminate the on-site parking requirement for commercial use (1 space per 250 square feet) and to eliminate the guest parking requirement for residential uses (1 space per 4 units).

In 2004, the Planning Commission and City Council considered an ordinance to accomplish these suggestions, but the ordinance was not adopted at that time because it was decided that a downtown parking management plan should first be prepared to ensure parking supply and demand factors were studied, and measures/actions identified to ensure that long-term parking needs would be met downtown as it develops.

The Planning Commission reviewed a draft downtown parking management plan in June of 2005. At the meeting, the consultant acknowledged that the Plan represented a "best case scenario" based on various assumptions, which concluded that parking downtown would be adequate during the 2025 planning period. The consultant then presented revised information based on a different set of assumptions (more downtown development), which was termed the "worst case scenario". That scenario revealed that parking would be at 85% occupancy by 2007 and 100% occupancy by 2008. Both staff and the Planning Commission were of the opinion that that the projected scenario should be somewhere in between, but that more work needed to be done on the parking management plan to identify realistic assumptions, determine the actual projected loss of on-street parking due to Third Street and Depot Street improvements, and identify strategies for increasing and improving the public parking supply.

In July of 2005, the City Council adopted amendments to the parking ordinance that allow for commercial and residential guest parking exemptions for Measure C allocations awarded and commercial site review approvals obtained on or before March 1, 2007. This allowed for two years worth of competitions to occur, while the City and Redevelopment Agency work toward defining a more comprehensive strategy and funding, for increasing and improving the downtown parking supply. The parking management plan will be finalized in conjunction with an update of the Downtown Plan this year.

It should be further noted that the Metropolitan Transportation Commission (MTC) selected Morgan Hill as one of eight Bay Area cities to participate in a study of how to reform parking policies to support smart growth around transit hubs and town centers. The case study is expected

to be completed in 2007 and will include information useful in the update of the Downtown Plan.

The attached table more fully documents the status of the implementing activities of the current Downtown Plan and is keyed to the Implementation Strategy chapter.

Other activities of interest related to the downtown are as follows:

- ***Façade Improvement Program.*** In an effort to improve the exterior appearance of commercial buildings and properties within the Redevelopment Project Area which includes the downtown, in 1991 the Building Assistance and Housing Services Department developed a Façade Improvement Program. The program currently provides up to \$4,000 for architectural/design work and full reimbursement for City Site Review fees, and 50-percent rebates for exterior property improvements up to a fixed amount. Recent examples of businesses that have benefited from the program include *Rosy's At The Beach*, *Poppy's Fish Market*, *Maurizio's*, *Mama Mia's*, *The Granary* and *Ragoots*.
- ***Outdoor Dining Policy.*** In an effort to implement the vision of a revitalized downtown, in 2001, the City Council amended Title 12 of the Municipal Code (Streets, Sidewalks and Public Places) to include special regulations to allow sidewalk cafes. Specifically, the ordinance provides a list of criteria and establishes a permit process for this type of use. Some of the current restaurants that have taken advantage of this ordinance include *Rosy's At The Beach*, *Ragoots*, *Maurizio's*, and *Main Street Bagel*.
- ***Downtown Request for Proposals (RFP) Process.*** In 2002, the Redevelopment Agency solicited RFP's for projects to enhance downtown. The projects that received funding commitments include the Gunter Brothers mixed use project, the façade and tenant improvements to the old Granada Theater and the Art Guild.
- ***Commercial Conversions.*** A three year impact fee exemption was adopted by the City Council in October of 2003. Although it has recently expired, this pilot program exempted residential to commercial conversions and business expansions in the downtown area from paying impact fees. The City also administratively adopted a fire mitigation policy to allow for smoke monitoring systems in lieu of fire sprinklers for residential conversion to office/retail uses.
- ***Property Based Improvement District (PBID).*** Last July, the City Council adopted a PBID for downtown. The total PBID assessment is \$75,000/year, which is assessed on a prorata basis to all properties within the downtown area bordered by Butterfield Boulevard, Dunne, Del Monte, and Main Avenues. The purpose of the PBID is to maintain and enhance the core downtown area. The City/Redevelopment Agency share of the assessments is about \$23,000 annually.
- ***Commercial Rehabilitation Loan Program.*** The Redevelopment Agency adopted the Commercial Rehabilitation Loan Program on July 26, 2006. The program is only available in the downtown area as defined by the PBID boundaries. The program provides low interest financing up to \$100,000 to businesses wanting to rehabilitate an existing building in downtown. *Booksmart* used funding from this program to install tenant improvements.
- ***Redevelopment Agency Assisted Projects.*** The Redevelopment Agency facilitated the conversion of the old police station into a brewpub/restaurant, renovation of the former granary building, and the development of the County Courthouse in downtown.

- ***Redevelopment Plan Amendment.*** The entire downtown area is located within the Redevelopment Project area. In November of 2006, the Redevelopment Agency amended the Redevelopment Plan. Among other things, the Plan Amendment increased the Agency's tax increment cap and reauthorized bonding. One of the goals of the Plan Amendment is to focus on projects needed for economic development, rehabilitation and infrastructure, particularly in the downtown.
- ***Downtown Plan Update.*** Although the existing Downtown Plan's policies and guidelines are still very relevant, the numerous development projects either under construction or soon to be and a Redevelopment Agency poised to invest in the downtown have created the need to re-visit and once again update the Downtown Plan. These projects include 363 housing units, 57,000 square feet of commercial space, a new County courthouse, and major infrastructure projects underway (Depot Street and the Third Street Promenade). In December of 2006, Community Development Department staff released request for proposals to land use consultants, as well as commercial leasing specialists, with the expectation that the update will include strategies that will address redevelopment goals of retail use recruitment/retention and economic revitalization for this area of the City.